

Comprehensive Annual Financial Report



The York County School Division

County of York, Virginia

(A Component Unit of the County of York, Virginia)

***For the Fiscal Year
Ended June 30, 2007***

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The York County School Division Component Unit of the County of York, Virginia

For the Fiscal Year Ended June 30, 2007

Prepared by the Department of Finance

Dennis R. Jarrett, CPA, CPFO
Chief Financial Officer

Karen L. Hendricks
Senior Budget and Financial Analyst

**THE YORK COUNTY SCHOOL DIVISION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007**

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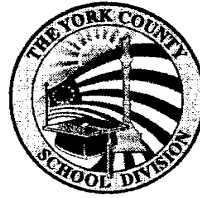
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INTRODUCTORY SECTION

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THE YORK COUNTY SCHOOL DIVISION



DIVISION
SUPERINTENDENT
Steven R. Staples, Ed. D.

SCHOOL BOARD
Barbara S. Haywood
District 1
Linda S. Meadows
District 2
Mark A. Medford
District 3
R. Page Minter
District 4
Barrent M. Henry
District 5

YORK COUNTY, VIRGINIA

November 5, 2007

Citizens of York County and Honorable Members of the School Board of the County of York, Virginia:

The Comprehensive Annual Financial Report of the York County School Division (hereafter School Division), a component unit of the County of York, Virginia for the fiscal year ended June 30, 2007, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School Division. All disclosures necessary to enable the reader to gain an understanding of the School Division's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The School Division's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, an organizational chart and a list of principal officials. The financial section includes the MD&A, basic and fund financial statements, notes to the financial statements, required supplemental information (RSI) other than MD&A, as well as the independent auditors' report on the MD&A, financial statements and schedules. The statistical section includes selected financial and demographic information, presented on a multi-year basis, where possible. The compliance section includes reports by the independent auditor on compliance and internal control.

The School Division is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and questioned costs, and auditors' reports, is included in the County of York's Comprehensive Annual Financial Report.

Profile of the Reporting Entity and Organization

York County, which was originally named Charles River County, was one of Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was given the name of the then Duke of York. York County has played a major role in the development of the nation. Most importantly, it was the location of the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

York County is located in the Atlantic Coast's "urban crescent" on the beautiful Virginia peninsula. Situated midway between Richmond and Virginia Beach, the County's residents help comprise one of the nation's largest metropolitan areas, commonly referred to as Hampton Roads.

The School Division is responsible for elementary and secondary education (kindergarten through twelfth grade) within the County. Total enrollment in fiscal year 2007 was 12,649 and projected enrollment for fiscal year 2008 is 12,570. Students are offered a broad range of services including regular education, special education, career and technical education, and gifted education. The oldest school building was built in the early 1950's and the newest school building was built in the mid 1990's. All school facilities undergo a complete renovation every 20 years.

The elected five member School Board, vested with legislative powers, appoints the Superintendent, the executive and administrative head of the public school division. The School Division is fiscally dependent (i.e., it does not have taxing, levying, or borrowing authority) and is a component unit of the County of York. It derives most of its funding from allocations from the County and the Commonwealth of Virginia. The County Board of Supervisors approves the School Division's operating budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of bonds when necessary. The Board of Supervisors is prohibited from exercising any control over specific appropriations within the operating budget of the School Division. However, the Board of Supervisors may exercise control in total by major categories (e.g., Instruction, Pupil Transportation) as prescribed by the Code of Virginia, as amended.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the County of York) and its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable (e.g., a component unit that is fiscally dependent on the primary government). The School Division is considered a component unit of the County of York.

This report includes all funds of the School Division. The School Division has no component units for financial reporting purposes.

Economic Condition and Outlook

York County is fortunate to have an expanding commercial and industrial base, while also enjoying affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional and leisure opportunities, including numerous colleges and universities, theme parks, historical areas and much more. During the year, population grew to more than 63,500 and both residential and commercial tax bases continued to expand.

In May 2004, York County ranked in the top 2% of best counties in a nation-wide quality of life study conducted by American City Business Journals, Inc. York County ranked 37th among the nation's 3,141 counties and independent cities for quality of life among citizens. American City Business Journals' study used 20 categories for the quality of life rating, including median household income, racial diversity, unemployment (York County has very low unemployment), commute times for residents and high school graduation rates.

A study conducted by William and Mary cohorts on the business climate in the County concluded that "In general, York County has a business-friendly environment and is comparatively one of the strongest localities of its type in the state. Areas of strength for the County include its low tax rate environment and cost of labor, its superior quality of life and its projected job and business growth."

Economic development in the County had another prosperous year in FY07. Retail growth, tourism related investment and mid-sized light industrial development remained strong in 2007. Construction was completed on the Great Wolf Lodge expansion of another 100 suites, 15,000 square feet of new meeting space, 11,000 square feet of new indoor water park space and water park attractions. York County's *Kiln Creek Commercial Corridor* has almost reached full build-out with the recent construction of the *Kiln Creek Pavilion* shops. Philip Morris USA is in the process of reoccupying and expanding their former manufacturing plant on Merrimac Trail. The company is investing almost \$100 million for renovations and additions to the plant.

York County's latest major announcement is *The Marquis*, a lifestyle retail center planned for a site adjacent to Water Country USA, at the Junction of Route 199 and Interstate 64. Phase one of the Marquis development will consist of approximately 150 acres and will house up to 900,000 square feet of new retail shops, restaurants, and other retail businesses.

In addition to local economic growth, the current period's financial statements were positively impacted by federal grants. In accordance with School Board policy, the School Division accepts all federal funds which are available, provided there is a specific need for such funds. In continuing to implement that policy, the School Division applied for and received funds from the federal government for programs such as Impact Aid, No Child Left Behind, Special Education Title VIB, and one-time funds from the Department of Defense due to the high percentage of students with parents or legal guardians connected to the military. In total, federal grant revenue totaled 11.3% of total General Fund Revenue.

Accounting System

In developing and evaluating the School Division's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the School Division's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions. The accounting system is organized and operated on a function basis. Each function, relating to a specific area of operation, includes a report of appropriations, expenditures, encumbrances, and fund balances for each line item appropriate for that function.

Budgetary Controls

The School Division's budgetary controls are an integral part of the School Division's internal control system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and County Board of Supervisors. Activities of the General Fund and Special Revenue Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund.

Major Initiatives

In 2006-07, the York County School Division began work on, or continued the expansion of, several new initiatives that will help continue the tradition of excellence in York County.

The York County School Division continues to meet the academic requirements of the state, to maintain its own tradition of excellence, and to provide a well-rounded approach to education. The Division has fine-tuned existing academic programs, added new courses to the Program of Studies, consistently correlated its curriculum with the state Standards of Learning (SOL), and provided professional development opportunities that expand the experience and expertise of the Division's instructional staff. Highlights of 2006-07 curriculum and professional development efforts include:

- ◆ Community Surveys

A survey of parents was conducted in the Spring of 2006 to assess parent satisfaction in many areas including school environment, effectiveness of how schools communicate with parents, instructional programming, and how safe are schools to list a just a few of the topics surveyed. There was a 78% return rate for the survey. Overall conclusions of the survey include: parents think the school environment is safe and conducive to learning; 97% of the respondents were "satisfied" with the educational program; and 93% of the respondents were either "satisfied" or "very satisfied" with how the school informs the parents.

In December 2003, the School Division commissioned a community opinion survey that was designed to gather information regarding satisfaction with division programs and initiatives and to determine the issues related to public education that our community believed to be the most important. The survey was conducted by an outside marketing research firm to ensure data was properly tabulated and analyzed. The survey results were very positive. Most respondents were either “satisfied” or “very satisfied” with the many aspects of the School Division.

◆ Curriculum Development

The School Division’s curriculum development effort is an ongoing process of development and review that emphasizes the Standards of Learning within a rich instructional program. Curriculum development provides descriptive and reliable guides for teachers and ensures that York County School Division students are taught in a manner that prepares them adequately for SOL tests. As new courses that broaden students’ interests and guide them to meaningful and appropriate career paths are added to the *Program of Studies K-12*, curriculum is written for each of these courses. In addition, a comprehensive and user-friendly *Secondary Program of Studies Registration and Information Guide*, containing all middle and high school courses as well as general academic information is published to assist students and their parents in planning secondary school course work.

In FY07 preparation began for offering Mandarin Chinese classes in the high schools for the 2007-08 school year. On-line testing of Standards of Learning was expanded in the middle and high schools. Additionally, Assessment and Compliance Coordinators were added to the middle schools in FY 2007.

◆ No Child Left Behind

No Child Left Behind (NCLB) legislation requires annual testing of at least 95% of all students to measure progress in reading and math, and requires schools and school divisions to meet targets for achievement in four subgroups. The subgroups are students with disabilities, Limited English Proficient students, economically disadvantaged students (based on free/reduced lunch status), and major racial/ethnic groups.

NCLB sets annual objectives (or targets) for student participation and performance on these reading and math tests. As we move closer to 2014 – the 100%-proficiency deadline – the Annual Yearly Progress (AYP) bar will be raised each school year. For a school or school division to “make AYP” it must meet or exceed all targets for participation in statewide testing, achievement in reading and math, and attendance (elementary and middle schools) or graduation (high schools). Missing a single target results in a school or school division not making AYP. Sixteen of 19 division schools in York County made AYP last school year.

◆ Virginia Standardized Tests (Standards of Learning)

Standards of Learning (SOL) tests are administered to students in grades 3 through 8, and students enrolled in certain high school courses. Students are required to earn a certain number of verified credits to be eligible for a standard or advanced high school diploma. Verified credits for graduation will be based on achievement by the student of a passing score on the required end-of-course SOL tests.

Based on Spring 2006 SOL test results, the York County School Division had all elementary, middle, and high schools *Fully Accredited*. All York County Schools have achieved the state's highest accreditation ranking (Fully Accredited) in school years 2002, 2003, 2004, 2005, and 2006.

◆ Scholastic Aptitude Test (SAT)

The total combined mean of math and verbal scores on the SAT continue to be above the state and national level for York County School Division students.

◆ Virtual High School

The York County Virtual High School began in FY03 as a pilot to serve homebound and alternative education students. The goal of the Virtual High School is to offer anytime, anywhere education to all students in York County. Coursework offered on-line by qualified York County teachers provides students with opportunity for expanded course selection and solutions to course conflicts. The Virtual High School (VHS) was expanded again in FY07 for several advanced placement courses so more students can take advantage of this new, effective instructional model. The VHS has been so successful that student slots have been purchased by other school divisions and the Commonwealth of Virginia so that students across the state can take advantage of this unique instructional method. The Division entered into an agreement with WHRO (a public educational media corporation) in FY06 for the sale of Virtual High School programs and coursework for use by WHRO across the state.

◆ Instructional Technology

While all Division schools have integrated technology into the classroom and instructional program, eight schools are utilizing mobile laptops to integrate technology into everyday instruction. A mobile lab is an innovative alternative to a hard-wired classroom lab and creates more flexibility in the computer-learning environment. These labs consist of 30 laptops on rolling tables that can be easily transported from room to room. A teacher can use as many or as few of these computers as needed – allowing multiple classrooms to use the lab at the same time, something that is not feasible in a standard computer lab.

◆ Division continues to grow with the community.

Several construction projects were started or completed during the 2006-07 school year:

- Completed construction of the Bailey Field Locker Room / Field House at the York High School athletic complex.
- Completed a \$12 million addition and renovation of York High School. Scope of the project included replacement of the HVAC and mechanical system, lighting, floor, and ceiling.

- Completed a \$2.5 million addition and renovation of the School Board office. The construction work included the renovation of approximately 15,000 square feet and the addition of approximately 10,000 square feet.
- Began a \$12 million addition and renovation of Yorktown Middle School. The renovation includes HVAC, lighting, floor, ceiling, painting, electrical and the addition of classrooms for the New Horizons Regional Education Center autistic program. Temporary mobile units housed on the campus of York High School are being used as classrooms during the renovation of the building.

◆ Future Initiatives

In the future, the School Division will continue to focus resources on maintaining or reducing student to teacher ratios. Available revenues will also be directed toward programs and initiatives that will enhance the School Division's ability to continue to meet or exceed the State Standards of Learning and the requirements of the federal *No Child Left Behind* legislation.

Maintain a competitive compensation plan for licensed and non-licensed staff.

Major facility renovations planned for fiscal year 2008 include the completion of the Yorktown Middle School addition and renovation. Major capital improvement projects planned for the future are the addition of 4 classrooms to Magruder Elementary School and the addition of 10 classrooms to Dare Elementary School. The additional classroom space is needed to meet classroom space needs for students presently enrolled that exceed building capacity in the School Division.

Cash Management

Cash and temporary investments pertaining to the School Division's funds (except school activity account funds) are pooled and invested with the cash and temporary investments of the County. The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporary idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by governmental securities as required by the Code of Virginia.

Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the School Division has been performed by Cherry, Bekaert and Holland, L.L.P., Certified Public Accountants. The auditors' report, which includes their unqualified opinion on the basic financial statements of the School Division, is contained in this report.

Risk Management

The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Division. The School Board manages the program with a combination of in-house staff and third-party administrators. For fiscal year 2007, the County and the School Division contracted with a third party to administer a joint deductible workers' compensation program with risk of up to \$500,000 for each occurrence.

Instructional Leadership Award

- ◆ A Quality Assurance Review was conducted by the Council on Accreditation and School Improvement (CASI) of the Southern Association of Colleges and Schools (SACS) on the York County School Division in the Spring of 2007. This review is required every 5 years for the division to meet the Standards of Accreditation.

Based on an extensive review of documentation, a review visit from March 19-21, 2007 and interviews of a representative set (over 300 individuals) of stakeholders throughout the School Division and the County, the Quality Assurance Review team reported that the school system satisfactorily met the expectations and responsibilities for the SACS CASI review for Division Accreditation.

This is a nationally recognized accreditation in which only approximately 100 school divisions in the nation earned.

- ◆ The York County School Division received special designation as a 2005-2006 *Super System for Quality Schools* from the Southern Association of Colleges and Schools Council on Accreditation and School Improvement. Only 54 of 134 school divisions in Virginia were awarded this honor, given to divisions that have all eligible elementary, middle, and secondary schools accredited.

Financial Reporting Certificate Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement from the GFOA or a Certificate of Excellence from ASBO, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate is the highest form of recognition awarded in the field of governmental financial reporting.

A Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. We also believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Budget Presentation Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the York County School Division for its annual budget for the fiscal year beginning July 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In addition, the Association of School Business Officials of the United States and Canada (ASBO) presented a Meritorious Budget Award to the York County School Division for its annual budget for the fiscal year beginning July 1, 2006. This program is designed to recognize school systems for achieving excellence in their school system budget presentation. The foundation of this program is a set of criteria developed by ASBO.

Both the GFOA and ASBO budget presentation awards are valid for a period of one year only. We believe that our budget for the current fiscal year beginning July 1, 2007 continues to meet both programs requirements and we have submitted it to the GFOA and ASBO to determine its eligibility for another award.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Finance. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School Division in a responsible and progressive manner.

Respectfully submitted,



Steven R. Staples, Ed. D.
Division Superintendent



Dennis R. Jarrett
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The York County
School Division, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Harn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



This Certificate of Excellence in Financial Reporting is presented to

YORK COUNTY SCHOOL DIVISION

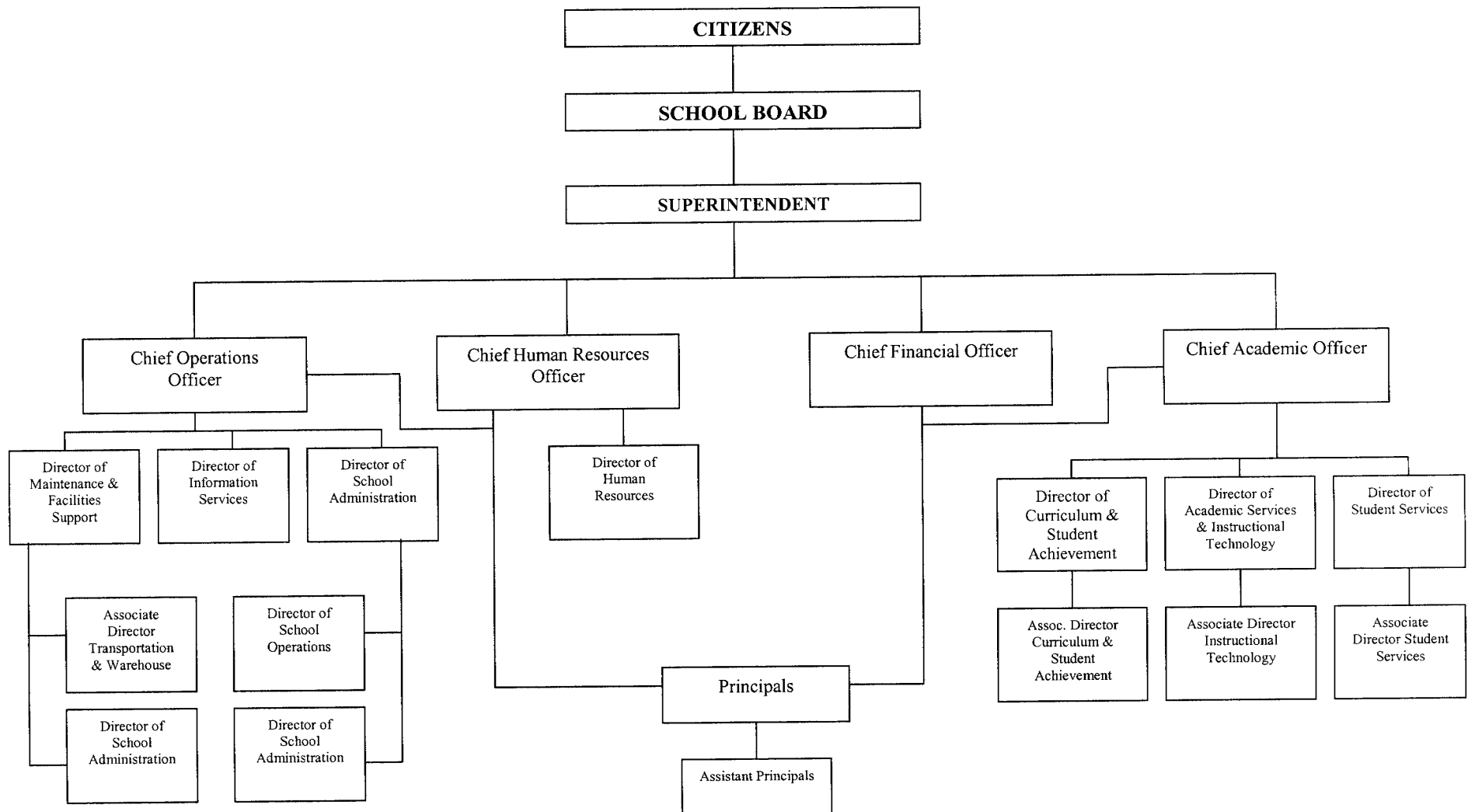
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

YORK COUNTY SCHOOL DIVISION ORGANIZATION CHART
As of June 30, 2007



THE YORK COUNTY SCHOOL DIVISION

Members of the School Division and School Division Officials
June 30, 2007

School Division

R. Page Minter, Chair

Linda S. Meadows, Vice-Chair

Barbara S. Haywood

Barrent M. Henry

Mark A. Medford

School Officials

Superintendent of Schools

Chief Academic Officer

Chief Financial Officer

Chief Human Resources Officer

Chief Operations Officer

Director of Academic Services and Instructional Technology

Director of Curriculum and Student Achievement

Director of Human Resources

Director of Information Services

Director of Maintenance and Facilities Support

Director of of School Administration

Director of Student Services

Dr. Steven R. Staples

Dr. Jennifer B. Parish

Dennis R. Jarrett, CPA, CPFO

Dr. James R. Tucker

Richard M. Hixson, J.D.

Linda G. Reviea

Dr. Lucia V. Sebastian

Dr. Judy Davis-Dorsey

Douglas M. Meade

James M. Wilkins

Dr. Carl L. James

Dr. Bondy Shay Gibson

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

Members of the School Board
York County School Division

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2007 which collectively comprise the School Division's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the York County School Division's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and aggregate remaining fund information of the York County School Division as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007, on our consideration of the York County School Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, the budgetary comparison schedules of the general fund and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the York County School Division's basic financial statements. The introductory section, other supplemental information, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekant & Holland, L.L.P.

Richmond, Virginia
November 5, 2007

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York County School Division
Management's Discussion and Analysis
For the Year Ended June 30, 2007

The discussion and analysis of the York County School Division's (hereafter School Division) financial performance provides an overall review of the School Division's financial activities for the fiscal year ended June 30, 2007 (FY 2007). The intent of this discussion and analysis is to look at the School Division's financial performance as a whole; readers should also review the transmittal letter at the front of this report and the School Division's financial statements and notes to the basic financial statements which immediately follow this section, to enhance their understanding of the School Division's financial performance.

Financial Highlights

- For the governmental funds, General Fund revenues accounted for \$112.8 million or 85.8% of all revenues and expenditures were \$112.4 million or 87.6% of all expenditures, compared to \$103.9 million (81.8%) in revenues and \$103.9 million (84.8%) in expenditures in FY 2006.
- Net assets increased by \$10.6 million to a total of \$137.8 million. The value of net assets reflects the financial health of the School Division and includes certain assets procured with debt. The School Division is a component unit of, and fiscally dependent on the County of York. As such, all debt related to School Division assets is shown on the County's statement of net assets. The most significant reason for the \$10.6 million increase in net assets was the addition and renovation of buildings in FY 2007 that were funded through a contribution from York County.
- Food Services ended the fiscal year with a fund balance of \$507,873, an increase of \$36,886 over the beginning of year fund balance.

Using This Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of 4 sections: introductory, financial, statistical, and compliance.

As illustrated in Figure A-1, the financial section of this annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

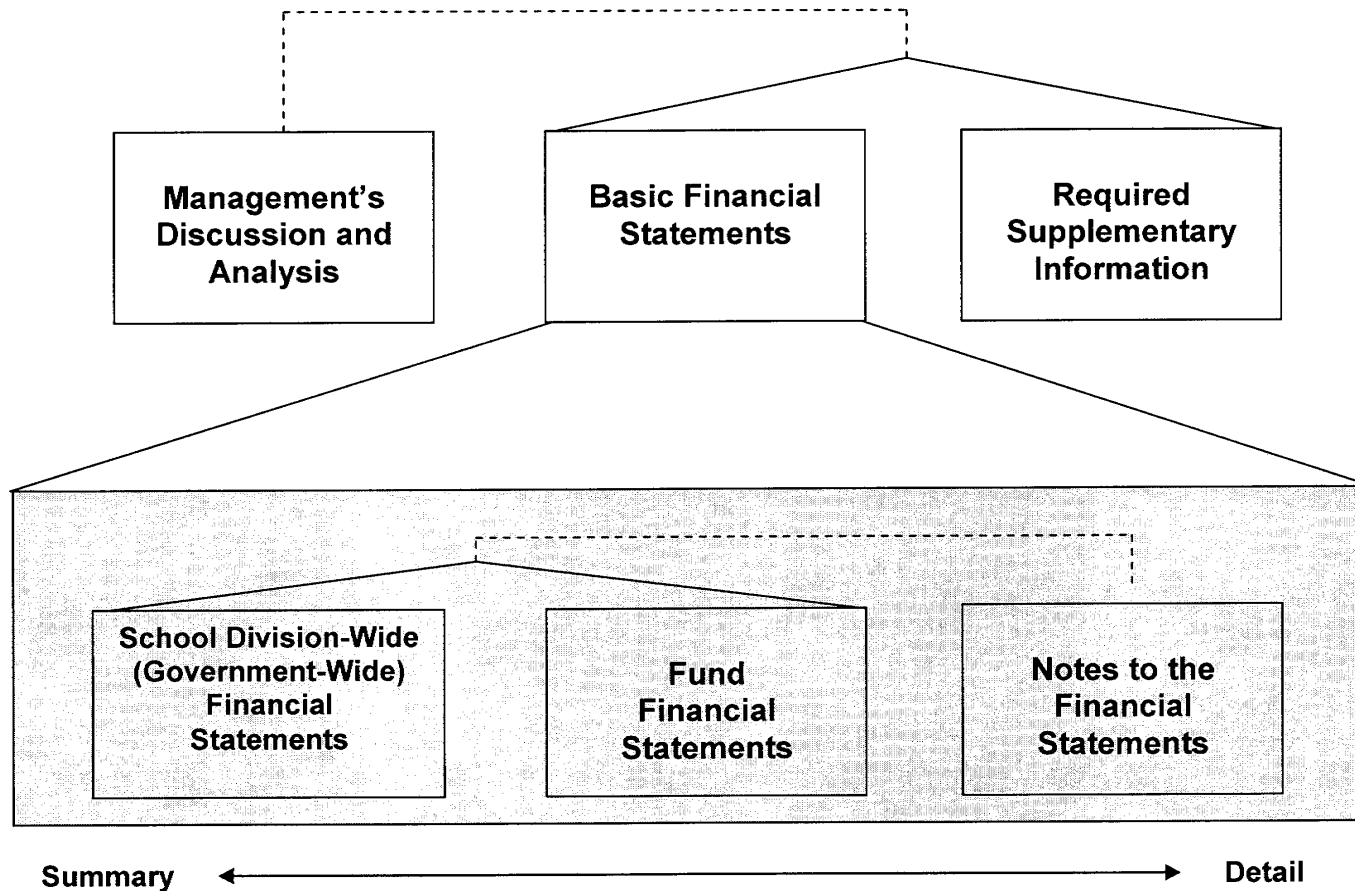
The basic financial statements include two kinds of statements that present different views of the School Division.

- The first two statements are *School Division-wide financial statements* that provide both *short-term* and *long-term* information about the School Division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School Division, reporting the School Division's operations in *more detail* than the School Division-wide statements.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School Division acts solely as a *trustee* or *agent*.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the School Division's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

FIGURE A-1

Organization of York County School Division Annual Financial Report



Using This Comprehensive Annual Financial Report *(Continued)*

Figure A-2 summarizes the major features of the School Division's financial statements, including the portion of the School Division's activities they cover and the types of information they contain. The remainder of the overview section of the MD&A highlights the structure and contents of each of the financial statements.

FIGURE A-2

Major Features of the School Division-Wide and Fund Financial Statements			
	School Division-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School Division (except fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School Division administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

School Division-Wide Statements

The School Division-wide statements report information about the York County School Division as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by the School Division to provide programs and activities, the view of the School Division, as a whole, looks at all financial transactions and asks the question, "How did we do financially during FY 2007?" The statement of net assets and the statement of activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The two School Division-wide statements report the School Division's *net assets* and how they have changed. Net assets - the difference between the School Division's assets and liabilities - are only one way to measure the School Division's financial health or position.

- Over time, increases or decreases in the School Division's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School Division, additional non-financial factors may also be relevant, such as changes in the County tax base, the condition of school buildings and other facilities, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School Division reports only activities related to governmental-type activities, since it has no business-type activities. The School Division's governmental-type activities include: instruction, administration/attendance and health, transportation, operations and maintenance, food service, and interest on capital leases and capital projects.

Fund Financial Statements

The fund financial statements provide more detailed information about the School Division's most significant or "major" funds. Funds are accounting devices that the School Division uses to help keep track of specific sources of funding and spending for particular purposes.

The School Division has two types of funds:

- *Governmental Funds*: Most of the School Division's activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School Division's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the School Division-wide statements, additional information has been added in the form of a reconciliation between the total fund balances of the governmental funds and the total net assets of the School Division-wide activities.

Fund Financial Statements (Continued)

- *Fiduciary Funds:* The School Division is trustee or fiduciary for the York County School Board Benefit and Pension Trust Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the division-wide statements because the School Division cannot use these assets to finance its operation. The student activity monies are also accounted for in this fund type, as an agency fund.

Financial Analysis of the School Division as a Whole

Net Assets:

The condensed statement of net assets below describes the financial position of the School Division on June 30, 2007. The School Division's financial position improved during fiscal year 2007. The largest portion of the School Division net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 91.5% of the total net assets and have increased by \$7.4 million since June 30, 2006. The only debt netted against capital assets is for capital leases. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt. All debt is issued by the County of York and, therefore, is shown as a liability on its statement of net assets. In years where there are substantial additions to capital assets that are funded through the issuance of County debt, the School Division will have substantial increases in net assets invested in capital assets, net of related debt. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. Unrestricted net assets are those resources that may be used to meet the obligations placed on the School Division by its creditors and to pay for ongoing operations of the School Division. Restricted net assets increased \$3.0 million from June 30, 2006 due to unspent bond proceeds contributed by York County for capital projects that were started but not completed at year end. At the end of the fiscal year, unrestricted net assets amounted to \$3.3 million, remaining virtually unchanged from June 30, 2006. All three components of net assets show positive balances.

Financial Analysis of the School Division as a Whole (Continued)

Net Assets: (Continued)

Condensed Statement of Net Assets (in millions)			
	Governmental Activities 2007	Governmental Activities 2006	Total Percentage Change
Assets			
Current and other assets	\$ 31.2	\$ 28.2	10.6%
Capital assets	126.4	119.0	6.2%
Total assets	<u>157.6</u>	<u>147.2</u>	7.1%
Liabilities			
Current liabilities	17.3	18.6	-7.0%
Long-term liabilities	2.5	1.4	78.6%
Total liabilities	<u>19.8</u>	<u>20.0</u>	-1.0%
Net assets			
Invested in capital assets, net of related debt	126.1	118.5	6.4%
Restricted	8.4	5.4	55.6%
Unrestricted	3.3	3.3	0.0%
Total net assets	<u>\$ 137.8</u>	<u>\$ 127.2</u>	8.3%

Financial Analysis of the School Division as a Whole (Continued)

Net Assets: (Continued)

The following table summarizes the changes in the School Division's net assets for the year ended June 30, 2007.

Changes in Net Assets (in millions)			
	Governmental Activities 2007	Governmental Activities 2006	Total Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 3.2	\$ 3.2	0.0%
Operating grants and contributions	61.4	56.7	8.3%
Capital grants and contributions	1.2	1.3	-7.7%
General revenues			
County	52.8	54.3	-2.8%
Shared intergovernmental revenues	11.3	10.3	9.7%
Revenues from the use of money and property	1.2	0.9	33.3%
Miscellaneous revenues	0.4	0.3	33.3%
Total revenues	<u>131.5</u>	<u>127.0</u>	3.5%
Expenses			
Instruction	90.0	81.9	9.9%
Administration/attendance and health	8.6	7.5	14.7%
Transportation	6.1	6.7	-9.0%
Operations and maintenance	12.1	11.2	8.0%
Food service	4.1	4.0	2.5%
Interest on capital leases	0.0	0.0	150.0%
Total expenses	<u>120.9</u>	<u>111.3</u>	8.6%
Change in net assets	10.6	15.7	32.6%
Net assets - beginning of year	<u>127.2</u>	<u>111.5</u>	14.1%
Net assets - end of year	<u>\$ 137.8</u>	<u>127.2</u>	8.3%
Note: Totals may not add due to rounding.			

Financial Analysis of the School Division as a Whole (Continued)

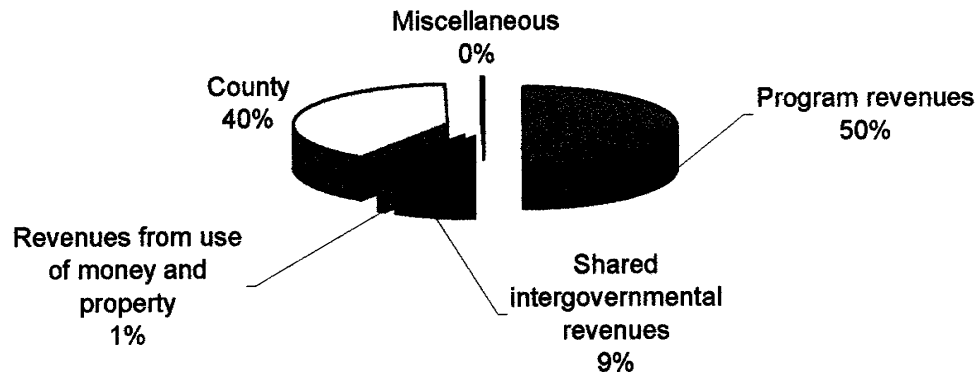
Changes in net assets:

For the fiscal year ended June 30, 2007, revenues from governmental activities totaled \$131.5 million. State and federal revenue for operating grants and contributions account for 46.8% of the School Division's resources as compared to 53.8% for the fiscal year ended June 30, 2006. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$52.8 or 40.1% of the total revenues as compared to \$54.3 or 42.8% for the fiscal year ended June 30, 2006. The decrease in County funding relates to a major portion of the capital projects in FY07 being funded from fund balance.

The total cost of all programs was \$120.8 million in FY 2007. Instruction made up 74.5% of the total costs of the School Division in FY 2007 and 73.6% in FY 2006. The School Division's operations and maintenance activities accounted for 10.0% of total costs for FY 2007 while administration/attendance and health amounted to 7.1% of total costs.

For the fiscal year ended 2007, revenues exceeded expenses by a total of \$10.6 million. A substantial portion of the increase in Net Assets results from the funding of capital projects through County contributions.

Fiscal Year 2007 Revenues

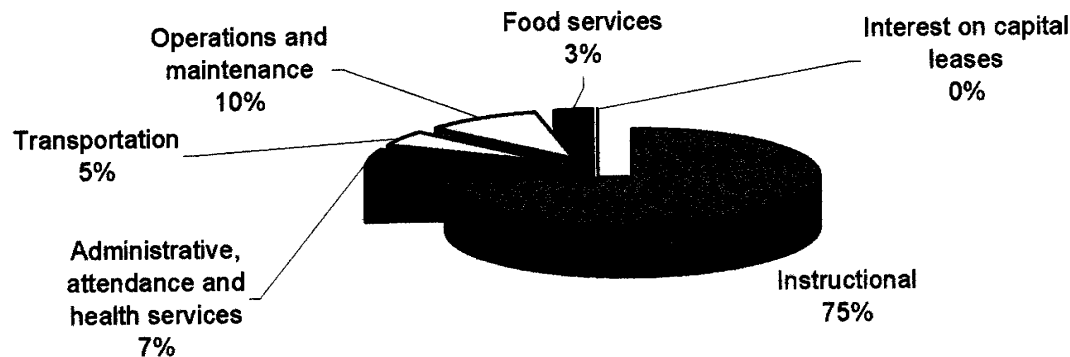


Note: Total Program Revenues reflect revenue from County, State, Federal and Other sources that are dedicated to specific programs or expense areas.

Financial Analysis of the School Division as a Whole (Continued)

Changes in net assets: (Continued)

Fiscal Year 2007 Expenses



Note: Expenses are summarized for display purposes. Each section may include one or more specific program areas.

Governmental Activities

The three primary sources of revenue for the School Division are from the County of York, the Commonwealth (State) of Virginia, and the United States Department of Education. State and federal government funding is included in Total Program Revenues. Funding from the County is provided by the York County Board of Supervisors.

State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid and categorical funds. Sales tax (Shared Intergovernmental Revenue) revenue totaled \$11.3 million in FY 2007.

Federal funding comes to the School Division from federal grants and impact aid. Impact aid is designed to reimburse school districts for the loss of revenue due to the presence of the federal government. This is an important reimbursement source of revenue to the School Division since the federal government does not pay property taxes.

The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

Net Cost of Governmental Activities (in millions)				
	Total cost of services 2007	Total cost of services 2006	Net cost of services 2007	Net cost of services 2006
Instruction	\$ 90.0	\$ 81.9	\$ 28.1	\$ 24.7
Administration/attendance and health	8.6	7.5	8.6	7.5
Transportation	6.0	6.7	6.1	6.7
Operations and maintenance	12.1	11.2	12.1	11.2
Food service	4.1	4.0	0.1	0.1
Total expenses	\$ 120.8	\$ 111.3	\$ 55.0	\$ 50.2

Significant changes in governmental activities include:

- The cost of all governmental activities was \$120.8 million.
- The net cost of governmental activities was \$55.0 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$62.6 million.
- Most of the School Division's net cost of services of \$55.0 million was funded by the County and state taxpayers.
- Food Service's net cost of services of \$0.1 million was funded primarily by payments related to a performance contract with the food service management company (Aramark).

Financial Analysis of the School Division's Funds

The strong financial performance of the School Division is also reflected in its major governmental funds, the General Fund and the Capital Projects Fund. As the School Division completed the year, the General Fund reported a fund balance of \$6.5 million or a \$0.04 million increase from the fund balance reported for the fiscal year ended June 30, 2006. The Capital Projects Fund reported a fund balance at the end of FY 2007 of \$8.6 million or a \$2.7 million increase from the fund balance reported for the fiscal year ended June 30, 2006. The increase of \$2.7 million relates unspent revenue from the County to fund the completion of capital projects. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$0.5 million at the end of FY 2007, representing only a minor change from the fiscal year ended June 30, 2006 reported fund balance.

General Fund Budgetary Highlights

The School Division's budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2007, the School Division amended its general fund budget as follows:

- Amended appropriation of \$4,338,943 to reflect the carryover of encumbrances from FY 2006 to FY 2007.
- Supplemental appropriations totaling \$388,000 for increases in federal grant allocations.
- Amended appropriation of \$61,268 for carryover of electronic classroom funds.

The School Division's final budget for the General Fund anticipated that revenues and expenditures would be equal. The actual results for the year mimic expectations and show a net change in fund balance of \$398,375. General Fund revenues were \$112.8 million or 9.1% greater in FY 2007 as compared to FY 2006. This increase, for the most part, was driven by increases in state, federal and county funding. State revenue increased \$6.1 million or 11.7% in FY 2007 as compared to the previous fiscal year.

General Fund actual expenditures were \$7.5 million less than the final budgeted amount. Significant factors contributing to the variance include:

- Outstanding encumbrances at June 30, 2007 are not reflected in the budget comparison schedule.
- Personnel savings due to vacant positions, staff on leave without pay, and personnel attrition.
- Portions of state and federal grants were carried forward to FY08.

Capital Assets

At the end of FY 2007, the School Division had \$126.4 million (a 6.2% increase from FY 2006) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2007 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 3 to the financial statements.

Capital Assets, net of depreciation (in millions)			
	Governmental Activities 2007	Governmental Activities 2006	Total Percentage Change
Land	\$ 4.9	\$ 4.9	0.0%
Construction in progress	5.5	12.0	-54.2%
Depreciable capital assets	116.0	102.1	13.6%
Total	\$ 126.4	\$ 119.0	6.2%

Major capital asset additions for FY 2007 included:

- Completed construction of the Bailey Field Locker Room / Field House at the York High School athletic complex.
- Completed a \$12 million addition and renovation of York High School. Scope of the project included replacement of the HVAC and mechanical system, lighting, floor and ceiling.
- Completed a \$2.5 million addition and renovation of the School Board Office. The construction work included the renovation of approximately 15,000 square feet and the addition of approximately 10,000 square feet.
- Began a \$12 million addition and renovation of Yorktown Middle School. The renovation includes HVAC, lighting, floor, ceiling, painting, electrical and the addition of classrooms for the New Horizons Regional Education Center autistic program. Temporary mobile units housed on the campus of York High School are being used as classrooms during the renovation of the building.

The following major capital projects are included in the School Division's FY 2008 capital budget:

- Installation of lights at Bailey Field.
- Construction of 10 additional classrooms at Dare Elementary School to accommodate additional enrollment.
- Construction of 4 additional classrooms at Magruder Elementary School for additional enrollment.

Funding for the FY 2008 capital projects includes \$5.4 million in appropriated funds from the County of York.

Outstanding Long-Term Debt

School Divisions in the Commonwealth of Virginia are fiscally dependent, in that they do not have taxing authority and rely upon appropriations from the County/City. Only government entities with taxing authority are legally permitted to incur long-term debt, therefore all debt required for capital projects for the School Division is incurred by the County. As a result, the County of York government retains the liability for the portion of general obligation bonds issued to fund capital projects for the School Division.

The County Government appropriates funds to the School Division for the education of the students of the County of York. The School Board, in its annual budget process and in consultation with the County, determines the amount of these funds to support the financing of capital projects for the School Division.

The School Division's long-term debt is related to compensated absences, workers' compensation claims, and capital leases on equipment. Long-term debt had a net decrease of approximately \$0.2 million, due to a decrease in compensated absences and capital leases payable. The following table lists the long term debt for the School Division.

York County School Division - Outstanding Debt (in millions)			
	Governmental Activities 2007	Governmental Activities 2006	Total Percentage Change
Compensated absences	\$ 1.7	\$ 2.1	-19.0%
Workers' compensation claims	2.2	1.8	22.2%
Capital leases payable	0.3	0.5	-40.0%
Total	\$ 4.2	\$ 4.4	-4.5%

Additional information on the School Division's long-term debt can be found in Note 5 of the financial statements.

Factors influencing future budgets:

The FY 2008 budget provides funding for the following significant costs:

- A step increase and a 1.5% average market salary adjustment for licensed staff (teachers) and a 2.0% average market salary adjustment for non-licensed staff.
- A significant increase in employer retirement contributions for employee participation in the State retirement system.
- A significant increase in the employer contribution for health insurance for participating employees.
- Funding to support the capital projects included in the FY 2008 – 2013 CIP.

Factors influencing future budgets *(continued)*

At the time these financial statements were prepared and audited, the School Division was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The Commonwealth of Virginia will be considering the new biennium budget for FY 2009 and FY 2010 during the 2008 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time.
- Yorktown Elementary School will undergo an addition of 10 classrooms in FY 2009. The total construction cost of the project is expected to be \$2.7 million.
- The Federal government will be considering the budget for Impact Aid for FY 2009 during the next Congressional session. The impact on the School Division of the new Federal budget is also unknown at this time.

Contacting the York County School Division's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of the School Division's finances and to show the School Division's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at York County School Division, 302 Dare Road, Yorktown, Virginia 23692, (757) 898-0303.

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BASIC FINANCIAL STATEMENTS

The York County School Division

Statement of Net Assets

June 30, 2007

	Governmental Activities
Assets	
Cash and investments	\$ 3,607,450
Restricted cash and investments	8,470,345
Other receivables	16,882
Due from primary government	14,720,906
Due from other governments	2,449,459
Prepaid expenses	1,973,861
Capital assets:	
Land	4,871,494
Construction in progress	5,463,975
Buildings, improvements and equipment, net	116,043,959
Total capital assets	<u>126,379,428</u>
Total assets	<u>157,618,331</u>
Liabilities	
Vouchers and accounts payable	2,514,571
Retainage payable	626,086
Salaries, taxes and benefits payable	12,291,628
Unearned revenue - prepaid lunches	64,496
Due to primary government	110,461
Due within one year	1,646,129
Due in more than one year	2,534,391
Total liabilities	<u>19,787,762</u>
Net assets	
Invested in capital assets, net of related debt	126,097,687
Restricted for:	
Capital projects	8,470,345
Unrestricted	3,262,537
Total net assets	<u><u>\$ 137,830,569</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Activities Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
Instructional	\$ 90,085,862	\$ 391,741	\$ 60,264,672	\$ 1,208,972	\$ (28,220,477)
Administrative, attendance, and health services	8,554,642	-	-	-	(8,554,642)
Transportation	6,028,267	-	-	-	(6,028,267)
Operations maintenance	12,101,456	-	-	-	(12,101,456)
Food services	4,063,833	2,770,129	1,188,524	-	(105,180)
Interest on capital leases	19,093	-	-	-	(19,093)
Total governmental activities	<u>120,853,153</u>	<u>3,161,870</u>	<u>61,453,196</u>	<u>1,208,972</u>	<u>(55,029,115)</u>
Total primary government	<u>\$ 120,853,153</u>	<u>\$ 3,161,870</u>	<u>\$ 61,453,196</u>	<u>\$ 1,208,972</u>	<u>(55,029,115)</u>
General revenues:					
Payments from the County of York (unrestricted)					52,815,163
Shared intergovernmental revenues (unrestricted)					11,266,703
Revenues from use of money and properties					1,195,331
Miscellaneous					403,067
Total general revenues and transfers					<u>65,680,264</u>
Change in net assets					10,651,149
Net assets - beginning					<u>127,179,420</u>
Net assets - ending					<u>\$ 137,830,569</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Balance Sheet Governmental Funds June 30, 2007

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 2,223,006	\$ 798,819	\$ 585,625	\$ 3,607,450
Restricted cash and temporary investments	-	8,470,345	-	8,470,345
Other receivables	9,663	3,473	3,746	16,882
Due from primary government	13,920,906	800,000	-	14,720,906
Due from other governments	2,406,296	-	43,163	2,449,459
Due from other funds	33	-	-	33
Prepaid expenditures	1,973,861	-	-	1,973,861
Total assets	<u>\$ 20,533,765</u>	<u>\$ 10,072,637</u>	<u>\$ 632,534</u>	<u>\$ 31,238,936</u>
Liabilities and fund balances				
Liabilities:				
Vouchers and accounts payable	\$ 1,699,900	\$ 814,522	\$ 149	\$ 2,514,571
Retainage payable	-	626,086	-	626,086
Salaries, taxes and benefits payable	12,231,612	-	60,016	12,291,628
Due to primary government	110,461	-	-	110,461
Due to other funds	-	33	-	33
Deferred revenue	-	-	64,496	64,496
Total liabilities	<u>14,041,973</u>	<u>1,440,641</u>	<u>124,661</u>	<u>15,607,275</u>
Fund balances:				
Reserved for:				
Encumbrances	4,282,348	7,220,504	-	11,502,852
Unreserved				
Designated for:				
Self insurance	2,209,444	-	-	2,209,444
Construction	-	1,411,492	-	1,411,492
Undesignated	-	-	507,873	507,873
Total fund balances	<u>6,491,792</u>	<u>8,631,996</u>	<u>507,873</u>	<u>15,631,661</u>
Total liabilities and fund balances	<u>\$ 20,533,765</u>	<u>\$ 10,072,637</u>	<u>\$ 632,534</u>	<u>\$ 31,238,936</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$ 15,631,661
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	126,379,428
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,180,520)</u>
Net assets of governmental activities	<u>\$ 137,830,569</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2007

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
From the County of York	\$ 39,985,478	\$ 12,829,685	\$ -	\$ 52,815,163
From the Commonwealth of Virginia	58,733,380	1,208,972	64,283	60,006,635
From the Federal government	12,797,495	-	1,124,241	13,921,736
Revenues from use of money and property	673,404	493,426	28,501	1,195,331
Charges for services	391,741	-	2,770,129	3,161,870
Miscellaneous	246,156	83,317	74,094	403,567
Total revenues	<u>112,827,654</u>	<u>14,615,400</u>	<u>4,061,248</u>	<u>131,504,302</u>
Expenditures				
Current - education:				
Instruction	85,684,494	-	-	85,684,494
Administration, attendance and health services	8,329,524	-	-	8,329,524
Pupil transportation	6,567,937	-	-	6,567,937
Operations and maintenance	11,653,064	-	-	11,653,064
Total education	<u>112,235,019</u>	<u>-</u>	<u>-</u>	<u>112,235,019</u>
Food services	-	-	4,024,382	4,024,382
Capital outlay	-	11,896,449	-	11,896,449
Debt service:				
Principal retirement	175,167	-	-	175,167
Interest and fiscal charges	19,093	-	-	19,093
Total expenditures	<u>112,429,279</u>	<u>11,896,449</u>	<u>4,024,382</u>	<u>128,350,110</u>
Excess of revenues over expenditures	<u>398,375</u>	<u>2,718,951</u>	<u>36,866</u>	<u>3,154,192</u>
Net change in fund balances	398,375	2,718,951	36,866	3,154,192
Fund balance - beginning	<u>6,093,417</u>	<u>5,913,045</u>	<u>471,007</u>	<u>12,477,469</u>
Fund balance - ending	<u><u>\$ 6,491,792</u></u>	<u><u>\$ 8,631,996</u></u>	<u><u>\$ 507,873</u></u>	<u><u>\$ 15,631,661</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	3,154,192
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense

Capital outlay	\$	11,112,923	
Depreciation expense		<u>(3,669,775)</u>	7,443,148

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(42,404)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which payments exceeded proceeds.	175,167
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	376,016	
Worker's compensation claims	<u>(454,970)</u>	<u>(78,954)</u>

Change in net assets of governmental activities	\$	<u><u>10,651,149</u></u>
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The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Fiduciary Net Assets

June 30, 2007

		Pension Trust Fund Optional Plan	Agency Fund - School Activity Funds
ASSETS			
Cash and investments		\$ -	\$ 1,598,779
Restricted cash		189,976	-
Restricted investments:			
Federal agency bonds and notes		471,672	-
Corporate obligations		56,535	-
Mutual funds		34,379	-
Commercial paper		995,507	-
Total investments		<u>1,558,093</u>	<u>-</u>
Accrued income		6,281	
Total assets		<u><u>\$ 1,754,350</u></u>	<u><u>\$ 1,598,779</u></u>
LIABILITIES			
Assets held for others		<u>\$ -</u>	<u>\$ 1,598,779</u>
Total liabilities		<u>-</u>	<u>1,598,779</u>
NET ASSETS			
Net assets held in trust for pension benefits		<u>1,754,350</u>	<u>-</u>
Total liabilities and net assets		<u><u>\$ 1,754,350</u></u>	<u><u>\$ 1,598,779</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Changes in Fiduciary Net Assets - Pension Trust Fund - Optional Plan
Year Ended June 30, 2007

Additions		
Contributions - Member		\$ 400,000
Investment income		
Earning from investments	\$ 47,754	
Net appreciation in the fair value of net assets	<u>196,624</u>	244,378
Transfers		<u>108,384</u>
	Total Additions	<u>752,762</u>
Deductions		
Benefits	159,223	
Administrative expense	<u>13,854</u>	<u>173,077</u>
	Total Deductions	<u>173,077</u>
Net Increase		579,685
Net assets held in trust for pension benefits - beginning of year		<u>1,174,665</u>
Net assets held in trust for pension benefits - end of year		<u><u>\$ 1,754,350</u></u>

The accompanying notes are an integral part of the basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

THE YORK COUNTY SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements presented for the York County School Division, (School Division) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Division's significant accounting and reporting policies are described in the following notes:

The Financial Reporting Entity

The School Division is considered a component unit of the County of York (County). The School Division has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the County of York's basic financial statements because of the significance of the School Division's financial relationship with the County.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Division's policies. The members of the School Board are elected by the citizens of York County.

The School Division is responsible for elementary and secondary education for the County of York.

The accounting policies of the School Division conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies of the School Division.

Basis of Presentation

The School Division's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the School Division as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Operating transfers are eliminated to avoid "doubling up" revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of net assets presents the financial condition of the governmental type activities of the School Division at year-end. The School Division does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School Division's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: instruction, administration, attendance and health services, transportation, operations and maintenance, capital projects (not capitalized), and food services.

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include pupil fees, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Division. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Division. The School Division does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used, however, are not eliminated in this process.

Fund Financial Statements: During the year, the School Division segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of the School Division at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. The School Division has identified the general fund and the capital project fund as major.

The accounts of the School Division are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following fund types groups are used by the School Division:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Governmental Funds

Governmental Funds are those through which most governmental functions of the School Division are financed. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. The following are the School Division's governmental fund types:

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Division. It is used to account for all financial resources except those accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund (School Construction Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of school facilities (other than those financed by the operating fund).

Non-Major Governmental Fund - The non-major Governmental Fund (School Food Services Fund) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Accordingly, the School Food Services Fund is used to account for the school cafeteria operations. Revenues restricted for cafeteria operations include cafeteria sales and Federal grant reimbursements.

Fiduciary Funds

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination. The Trust and Agency funds consist of the Pension Trust Fund - Optional Plan and the School Activity Funds.

Trust Fund - The Pension Trust Fund - Optional Plan accounts for the revenues and expenses related to the School Division sponsored retirement plan, which is administered by a fiduciary agent of the York County School Division. The Pension Trust Fund - Optional Plan follows the accrual basis of accounting. The recognition of contributions, benefits and refunds use the "flow of economic resources" measurement focus. The costs of plan administration are financed through employer and member contributions and earnings on investments.

Agency Fund - The Agency Fund is custodial in nature and does not involve measurement of results of operations. The School Division's agency fund is the School Activity Funds, which accounts for the student activity monies maintained on behalf of the students by the principal of each school.

Fiduciary funds are not included in the government-wide financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements and the fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary revenues susceptible to accrual include intergovernmental revenues. In applying the subject to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School Division; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. The primary revenues susceptible to accrual include From the County of York, From the Commonwealth of Virginia, and From the Federal government. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Cash, Cash Equivalents and Temporary Investments

Cash and temporary investments are pooled with the cash and investments of the County. The School Division utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost. The value of investments reflected at amortized cost are not materially different than fair value. The cash in the agency fund represents the student activity funds cash balances in the separate bank accounts maintained by the individual schools. Investments with original maturities of 90 days or less are considered cash equivalents.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Receivables and Due from Other Governments

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from the Federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Division. All amounts should be collected within one year.

Inventory

Inventory is accounted for under the purchase method and is stated at the lower of cost or market on a first-in, first-out basis. The cost is recorded as an expenditure at the time inventory is purchased. USDA donated food commodities are accounted for in the School Food Services Fund at the estimated value at the time of receipt. Revenues are recorded when goods are received and expenditures are recorded as goods are used.

Capital Assets

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Division capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Division maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land is capitalized regardless of value. The School Division has no infrastructure assets.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Description	Estimated useful lives
Buildings	25-80 years
Improvements other than buildings	30-80 years
Machinery and equipment and vehicles	10-25 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Compensated Absences

Employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. The cost of accumulated compensated absences pay including associated benefits is accounted for as a liability in the government-wide financial statements. Compensated absences are reported in the governmental funds only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement).

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity, which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Designated - indicates tentative plans for financial resource utilization in future periods.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Division's equity in governmental fund - type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as due to and due from as appropriate and are subject to elimination in the government-wide statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

Retirement Plan

Retirement contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The School Division's policy is to fund pension cost as it accrues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Use of Estimates

Management of the School Division has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Division's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The Code of Virginia, as amended, requires the election of a County Treasurer. By law, the Treasurer is the custodian of cash investments for both the County of York and the York County School Division, and has powers and duties prescribed by general law. Cash and temporary investments pertaining to the School Division's funds, except the Pension trust fund and the school activity funds, are pooled and invested with the cash and temporary investments of the County.

Deposits

All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. At June 30, 2007, cash and investments of the County, which contain pooled cash and investments of the School Division, consisted of:

Bank deposits	\$ 2,769,062
Restricted cash	9,004,882
Investments	82,584,700
Petty cash	4,725
Total cash and cash equivalents	<u>\$ 94,363,369</u>

Cash and investments of the School Division, including fiduciary funds, at June 30, 2007 consisted of:

Pooled cash and investments	\$ 3,606,850
Bank deposits	1,598,779
Restricted cash	8,470,345
Investments	1,748,069
Petty cash	600
Total cash and cash equivalents	<u>\$ 15,424,643</u>

2. DEPOSITS AND INVESTMENTS *(Continued)*

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All investments stated at amortized cost approximate the fair value. The fair value of the County's position in the LGIP is the same as the value of the pool shares. All other investments are stated at fair value.

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (the Policy) permits investments in U.S. Government obligations, certain municipal bonds, prime quality commercial paper, high grade corporate notes and bonds, bankers acceptances, repurchase agreements, certificates of deposit and other evidences of deposit at financial institutions, money market mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a7 like pool).

State statute limits the percentage of the portfolio that can be invested in commercial paper to 35%. The Policy does not impose additional diversification limits, but does require that the portfolio avoid over-concentration in specific security types, issuers and business sectors.

The School Division has a separate funding policy (Trust Policy) for their Pension trust fund. The Trust Policy's principal goal is to invest in funds considering both the safety of principal with long-term stability and moderate capital appreciation commensurate with the expected retirement dates of plan participants; however, these investments should be liquid in order to enable the plan, on short notice, to make distributions of benefits in the event of death, disability or termination of a plan participant. The Trust Policy establishes the percentage of the portfolio that can be invested in fixed income investments to 40% - 70% and equity investments to 25% - 50%.

Credit Risk

As required by state statute, the Policy requires that commercial paper be rated "prime quality" by at least two nationally recognized statistical rating organizations and corporate notes and bonds must be rated in the AAA or AA categories by both Standard & Poor's and Moody's Investor Service. The County's Policy further limits credit risk by limiting investments in securities that have higher credit risks.

2. DEPOSITS AND INVESTMENTS *(Continued)*

The Trust Policy does not limit credit risk to any specific category.

As of June 30, 2007, the County's investments as rated by Standard & Poor's were as follows:

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>
Virginia LGIP	\$ 32,440,959	\$ -
Money market	3,187,874	-
Federal agency bonds and notes	20,256,953	-
Corporate obligations	7,263,516	19,435,398
Total investments	<u>\$ 63,149,302</u>	<u>\$ 19,435,398</u>

As of June 30, 2007, the School Divisions Pension trust fund investments as rated by Standard & Poor's were as follows:

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A-1</u>	<u>Not Rated</u>
Money market	\$ -	\$ -	\$ -	\$ 189,976
Commercial paper	-	510,367	455,117	64,402
Federal agency bonds and notes	471,672	-	-	-
Corporate obligations	-	56,535	-	-
Total investments	<u>\$ 471,672</u>	<u>\$ 566,902</u>	<u>\$ 455,117</u>	<u>\$ 254,378</u>

Concentration of Credit Risk

State statute limits the percentage of the portfolio that can be invested in commercial paper of a single issuer to no more than 5%. The County's policy does not set additional credit concentration limits. As of June 30, 2007, the County's portfolio complied with the State statute.

As of June 30, 2007, the portion of the School Division's Pension trust portfolio that exceeded 5% of the total portfolio were the Federal Home Loan Bank and Federal Farm Credit Bank bonds, which represented 20.73% and 9.54%, respectively, of the total investment portfolio.

Custodial Credit Risk

The policy requires that all investment securities purchased by the County be held by an independent third-party custodian and evidenced by safekeeping receipts in the County's name. As of June 30, 2007, all of the County's investments were held in a bank's trust department in the County's name.

2. DEPOSITS AND INVESTMENTS *(Continued)*

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the County's Policy limits the investment portfolio holdings to no more than 18 months, unless approved by the Treasurer. As of June 30, 2007, the carrying values and weighted average maturity of the County's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Virginia LGIP	\$ 32,440,959	-
Money market	3,187,874	-
Federal agency bonds and notes	20,256,953	1.25
Corporate obligations	26,698,914	1.32
Total investments	<u>\$ 82,584,700</u>	
Weighted average of portfolio		0.73

The carrying values and weighted average maturity of the School Division's Pension trust investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Money market	\$ 189,976	-
Commercial paper	995,507	-
Mutual funds	34,379	-
Federal agency bonds and notes	471,672	2.38
Corporate obligations	56,535	1.59
Total investments	<u>\$ 1,748,069</u>	
Weighted average of portfolio		0.70

3. CAPITAL ASSETS – NET

The following is a summary of changes in capital assets for the year ended June 30, 2007:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2007</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 4,871,494	\$ -	\$ -	\$ 4,871,494
Construction in progress	12,006,913	5,327,975	11,870,913	5,463,975
Total non-depreciable capital assets	<u>16,878,407</u>	<u>5,327,975</u>	<u>11,870,913</u>	<u>10,335,469</u>
Capital assets depreciated:				
Buildings	133,441,891	16,476,497	-	149,918,388
Improvements	2,415,673	-	-	2,415,673
Machinery and equipment	1,691,011	84,512	72,365	1,703,158
Motor vehicles	8,377,718	1,094,852	470,532	9,002,038
Total depreciable capital assets	<u>145,926,293</u>	<u>17,655,861</u>	<u>542,897</u>	<u>163,039,257</u>
Less accumulated depreciation for:				
Buildings	38,573,174	2,878,459	-	41,451,633
Improvements	1,244,149	64,473	-	1,308,622
Machinery and equipment	633,155	139,345	48,430	724,070
Motor vehicles	3,375,538	587,498	452,063	3,510,973
Total accumulated depreciation	<u>43,826,016</u>	<u>3,669,775</u>	<u>500,493</u>	<u>46,995,298</u>
Other capital assets being depreciated - net	<u>102,100,277</u>	<u>13,986,086</u>	<u>42,404</u>	<u>116,043,959</u>
Governmental activities capital assets - net	<u>\$ 118,978,684</u>	<u>\$ 19,314,061</u>	<u>\$ 11,913,317</u>	<u>\$ 126,379,428</u>

3. **CAPITAL ASSETS – NET** *(Continued)*

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 2,957,225
Administration, attendance and health services	96,960
Pupil transportation	518,429
Operations and maintenance	57,710
Food services	39,451
	<hr/>
Total governmental activities depreciation expense	\$ 3,669,775
	<hr/>

Construction in progress is composed of the following at June 30, 2007:

	Project authorization	Expended through June 30, 2007	Balance of authorization	Future requirements
School projects	<u>\$ 20,809,862</u>	<u>\$ 5,463,975</u>	<u>\$ 15,345,887</u>	<u>\$ -</u>

The majority of the capital assets were donated to the School Division by the County. The County has issued general obligation bonds and obtained literary loans from the Commonwealth of Virginia on behalf of the School Division. Certain school buildings have been pledged as collateral for the literary loans.

4. LEASES

In July 1997 the School Division replaced the lighting at 9 elementary schools, 2 middle schools and 1 high school as part of an energy conservation program. The lighting was financed with a capital lease agreement that expires in October 2007. In November 2005 the School Division financed 8 new buses with a capital lease agreement that expires in December 2010.

A summary of future minimum lease payments under these capital leases together with the present value of the net minimum lease payments as of June 30, 2007, is as follows:

<u>Fiscal Year</u>	
2008	\$ 118,707
2009	94,110
2010	94,111
Total minimum payments	<u>306,928</u>
Less - amount representing interest	<u>(25,187)</u>
Present value of principal	<u><u>\$ 281,741</u></u>

The gross value of capital assets under capital lease agreements is \$970,000 (improvements) and \$495,658 (equipment).

The School Division leases certain equipment and office space under non-cancelable operating lease agreements. A summary of future minimum rental payments under non-cancelable operating leases as of June 30, 2007, is as follows:

<u>Fiscal Year</u>	
2008	\$ 166,968
2009	166,968
2010	16,271
2011	9,604
Total minimum payments	<u><u>\$ 359,811</u></u>

Rental expenditures for the year ended June 30, 2007 for all operating leases were \$194,623.

4. LEASES (Continued)

Lessor - The School Division leases certain land where radio towers are located. The School Division does not own the radio towers but does own the land. The radio towers are located at York Middle School, York High School, and Waller Elementary School. The School Division also leases a portion of Yorktown Middle School to the New Horizons Regional Education Center. The total cost and accumulated depreciation of the Yorktown Middle School building at June 30, 2007 is \$1,066,600 and \$708,322, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2007, is as follows:

Fiscal Year	
2008	\$ 7,048
2009	281,116
2010	281,334
2011	281,416
2012	281,363
	<hr/>
Total minimum payments	<u>\$ 1,132,277</u>

Rental revenue for all operating leases was \$196,975 for the year ended June 30, 2007.

5. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund.

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Compensated absences	\$ 2,065,351	\$ 1,038,835	\$ (1,414,851)	\$ 1,689,335	\$ 940,000
Workers' compensated claims	1,754,474	842,106	(387,136)	2,209,444	600,000
Capital leases payable	456,908	-	(175,167)	281,741	106,129
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum payments	<u>\$ 4,276,733</u>	<u>\$ 1,880,941</u>	<u>\$ (1,977,154)</u>	<u>\$ 4,180,520</u>	<u>\$ 1,646,129</u>

6. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Division contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

Professional and non-professional employees of the School Division are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool. As of June 30, 1992, non-professional employees of the School Division are also covered by the VRS. The payroll for professional employees covered by VRS for the year ended June 30, 2007, was \$58,486,868; the total payroll was \$59,414,551. The payroll for non-professional employees covered by VRS for the year ended June 30, 2007, was \$6,040,567; the total payroll was \$7,286,382.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Division. In addition, the School Division is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Division's contribution rate for non-professional employees for the fiscal years ended 2007, 2006, and 2005, was 10.53% 11.5% and 11.5%, respectively, of annual covered payroll, or in the amounts of \$640,174, \$678,920, and \$658,200, respectively, and was fully funded for each fiscal year. The School Division's required contribution to the teacher cost-sharing pool for the fiscal years ended 2007, 2006, and 2005 was \$8,354,935, \$6,513,698, and \$5,664,731, respectively, and was fully funded for each fiscal year.

6. **DEFINED BENEFIT PENSION PLANS (Continued)**

Annual Pension Cost

For 2007, the School Division's annual pension cost was equal to the School Division's required and actual contributions. This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2004 Experience Study. In particular it uses an assumed investment return rate of 7.50%; an assumed annual cost of living adjustment of 2.50%; projected salary increases ranging from 3.50% - 5.73% per year depending on the members service and classification; and retirement, mortality and disability and termination rates that were also based on the 2004 Experience Study prepared for the VRS. A 2.50% inflation adjustment is implicit in the investment rate of return and annual cost of living adjustment. Liabilities were determined under the Entry Age Normal actuarial cost method. The actuarial value of the School Division's assets is the adjusted market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period at the rate of 20% per year. It reflects only a portion of the excess (or shortfall) between recent investment returns and the corresponding expected returns based on the 8% investment return assumption. The funding excess is being amortized as a level percentage of payroll on an open basis within a period of thirty years or less.

Contributions are recognized in the period in which amounts are due pursuant to formal commitments, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are paid from the School operating fund.

York County Public Schools - Optional Plan

Description

The Optional Plan, a single employer defined benefit pension plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the optional plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan. The optional plan's current membership, as of June 30, 2007, includes 47 active participants, 66 retirees and beneficiaries, and 6 vested terminations.

6. DEFINED BENEFIT PENSION PLANS (Continued)

Significant Accounting Policies

The optional plan is accounted for and presented as a pension trust fund. The financial statements of the pension trust fund are prepared using the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Non-actuarial administrative costs are financed directly from the plan assets. Actuarial administrative costs are paid from the School operating fund.

Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are value at the last reported sales price on the last business day of the School's fiscal year. Investments that do not have an established market are reported at estimated fair value.

Funding Policy

The funding policy of the optional plan provides for employer contributions at actuarially determined rates. The actuarial cost method used for funding the plan is the projected unit credit actuarial cost method. Actual contributions to the optional plan were \$400,000, \$100,000, and \$200,000 for the years ended 2007, 2006, and 2005, respectively.

Annual Pension Cost

The required contributions were determined as part of the June 30, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%. Because the plan is frozen, no salary increases are projected. A 2.5% inflation adjustment is implicit in the investment rate of return. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 20 years. The actuarial value of the School's assets is the market value of the assets, adjusted for accrued contributions and unpaid benefits.

Schedule of Annual Pension Costs and Employer Contributions for Optional Plan

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 96,878	100%
2006	\$ 124,695	100%
2007	\$ 69,186	100%

7. CONTINGENT LIABILITIES

Risk Management

The School Division is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Division reports all of its risk management activities in its School Operating Fund and pays all claims for retained risks from School Operating Fund resources. The School Division maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, and employer's liability and certain other risks with commercial insurance companies. The School Operating Fund retains the full risk for unemployment compensation, up to \$100,000 for each health care claim and up to \$500,000 for each workers' compensation occurrence. All unemployment, health care claims and workers' compensation claims are paid through a third-party administrator through resources from the School Operating Fund. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Schools health care liability at June 30 is included in salaries, taxes, and benefits payable balance of the Schools Operating Fund. The Schools had available \$1,973,861 for health care claims and \$2,209,444 for workers' compensation claims at June 30, 2007, which is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

Changes in the reported amounts since June 30, 2005 resulted from the following:

	<u>2007</u>	<u>2006</u>
Accrued liability/designated fund balance - beginning of year	\$ 2,919,794	\$ 4,030,015
Claims and changes in estimates	9,721,140	7,103,415
Claims payment	<u>(8,457,629)</u>	<u>(8,213,636)</u>
Accrued liability/designated fund balance - end of year	<u>\$ 4,183,305</u>	<u>\$ 2,919,794</u>

7. CONTINGENT LIABILITIES (Continued)

Grants

The School Division received grant funds, principally from the State and Federal Government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Division is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Division, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

8. POST-RETIREMENT BENEFITS

In addition to the pension benefits described in Note 6, the School Division provides post-retirement health care benefits, in accordance with School Division policy, to all employees who retire from York County Public Schools with 100 days of accumulated sick leave, 10 years of service and a minimum of 24 months participation in the health insurance program immediately prior to retirement. Currently, 47 retirees are participating in this program. The School Division pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed 10 years or until the retiree is eligible for Medicare, whichever occurs first. Expenditures for post-retirement health care benefits are recognized as incurred. During the year, expenditures of \$120,428 were recognized as incurred for post-retirement health care.

9. DEFERRED COMPENSATION PLAN

The School Division offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all School Division employees, permits them to defer a portion of their salary to future years. Participation in the plan is optional. The deferred compensation is not available to employees until separation from service, retirement, death, disability, financial hardship and/or reaching age 59½. The School Division offers a selection of investment options to participants. All earnings on the invested funds compound tax-free until withdrawn from the account.

10. TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND THE SCHOOL DIVISION

The following activities took place between the Primary Government and the School Division during the year ended June 30, 2007:

	Intergovernmental Revenues From the County of York
School Operating Fund	<u>\$ 39,985,478</u>
Capital Projects Fund	<u>12,829,685</u>
	<u><u>\$ 52,815,163</u></u>

	<u>Due From</u>	<u>Due To</u>
Primary Government: General Fund	<u><u>\$ 14,720,906</u></u>	<u><u>\$ 110,461</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

The York County School Division

Schedule of Revenues Budget and Actual - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental:				
County of York	\$ 40,298,677	\$ 40,359,945	\$ 39,985,478	\$ (374,467)
Commonwealth of Virginia:				
State sales tax	12,075,714	12,075,714	11,266,703	(809,011)
Basic aid	35,607,944	35,607,944	35,239,777	(368,167)
Lottery	943,840	943,840	889,026	(54,814)
Adult education	3,712	3,712	-	(3,712)
RLCC	-	-	4,000	4,000
Foster home children	41,880	41,880	26,393	(15,487)
Gifted and talented	324,302	324,302	316,270	(8,032)
Remedial programs	194,581	194,581	189,762	(4,819)
Remedial summer school	113,061	113,061	101,986	(11,075)
Reading intervention	75,524	75,524	242,953	167,429
Special education-SOQ	2,878,179	2,878,179	2,806,900	(71,279)
Homebound	20,000	20,000	16,207	(3,793)
Comprehensive services act	267,800	267,800	183,590	(84,210)
Free textbooks	813,025	813,025	792,890	(20,135)
VOC ED-SOQ	409,702	409,702	316,270	(93,432)
Special education support	337,967	337,967	329,372	(8,595)
Employer share benefits	4,021,344	4,021,344	3,921,753	(99,591)
New Horizons-Regional	-	-	187,324	187,324
Other CAT/VOC ED	16,000	16,000	19,374	3,374
At-risk	90,860	90,860	88,560	(2,300)
K-3 initiative	162,697	162,697	162,156	(541)
SOL algebra readiness	33,451	33,451	31,651	(1,800)
Tech Init- FY2005	544,000	544,000	544,000	-
Miscellaneous grants	457,696	457,696	161,152	(296,544)
ESL	81,225	81,225	80,915	(310)
Salary Supplement	835,077	835,077	814,396	(20,681)
Total from the Commonwealth of Virginia	60,349,581	60,349,581	58,733,380	(1,616,201)

The York County School Division

Schedule of Revenues Budget and Actual - General Fund (continued) Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Federal Government:				
Title I	493,435	453,038	384,305	(68,733)
Adult recreation	29,500	29,500	35,510	6,010
Title II A	323,392	293,746	355,943	62,197
Title II D	15,170	7,919	15,704	7,785
Title IV A	44,201	26,549	20,504	(6,045)
Title V A	26,068	13,172	26,601	13,429
Impact aid	9,700,000	9,700,000	9,699,974	(26)
Department of Defense	-	475,000	545,062	70,062
Title VI B	1,832,290	1,832,290	1,396,283	(436,007)
E-Rate	87,000	-	-	-
NJROTC	104,000	104,000	86,102	(17,898)
Miscellaneous grants	660,405	763,336	217,326	(546,010)
Title IIIA	11,578	16,489	14,182	(2,307)
Total from the Federal Government	<u>13,327,039</u>	<u>13,715,039</u>	<u>12,797,495</u>	<u>(917,544)</u>
Miscellaneous revenues:				
Use of money and property	480,800	480,800	673,404	192,604
Charges for services	340,000	340,000	387,741	47,741
Miscellaneous	306,053	306,053	246,155	(59,898)
Total miscellaneous revenues	<u>1,126,853</u>	<u>1,126,853</u>	<u>1,307,300</u>	<u>180,447</u>
Total revenues	<u>\$ 115,102,150</u>	<u>\$ 115,551,418</u>	<u>\$ 112,823,653</u>	<u>\$ (2,727,765)</u>

The York County School Division

Schedule of Expenditures Budget and Actual - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Education				
Instruction:				
Classroom instruction services:				
Regular education	\$ 56,210,840	\$ 56,289,350	\$ 54,734,444	\$ 1,554,906
Special education	8,589,316	8,621,666	7,677,828	943,838
Vocational education	3,169,350	3,223,309	2,852,495	370,814
Gifted and talented	352,382	353,553	344,124	9,429
Other programs	5,132,698	4,432,698	2,861,206	1,571,492
Instructional support-student:				
Guidance	2,861,699	2,872,431	2,720,965	151,466
Homebound	60,194	60,194	50,915	9,279
Instructional support-staff:				
Management and staff development	3,441,821	3,466,942	3,501,700	(34,758)
Media services	1,848,585	1,854,370	1,727,525	126,845
Instructional support- school administration:				
Principals' offices	7,006,108	6,932,884	6,796,485	136,399
School carryover	-	2,995,125	2,416,807	578,318
Total instruction	88,672,993	91,102,522	85,684,494	5,418,028
Administration, attendance and health services:				
Board services	126,630	126,630	122,874	3,756
Executive services	534,578	547,888	581,382	(33,494)
Communication services	397,808	401,737	408,206	(6,469)
Human resources	1,129,755	1,066,545	1,061,393	5,152
Fiscal services	964,512	970,174	941,040	29,134
Information services	2,744,717	2,759,308	2,674,582	84,726
Health services	1,324,368	1,401,521	1,338,179	63,342
Psychological services	528,501	530,460	507,787	22,673
Speech and audiology services	589,048	591,250	589,142	2,108
School carryover	-	134,426	104,939	29,486
Total administration, attendance and health services	8,339,917	8,529,939	8,329,524	200,414

The York County School Division

Schedule of Expenditures Budget and Actual - General Fund (continued) Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating costs:				
Pupil transportation:				
Vehicle operation services	5,215,883	5,215,883	4,912,855	303,028
Vehicle maintenance services	1,306,985	1,653,935	1,443,262	210,673
School carryover	-	213,492	211,820	1,672
Total pupil transportation	6,522,868	7,083,310	6,567,937	515,373
Operations and maintenance:				
Management and direction	278,712	278,712	283,529	(4,817)
Building services	10,649,770	10,906,232	9,767,933	1,138,299
Vehicle services	263,320	255,820	291,622	(35,802)
Warehouse and distribution services	374,570	374,570	343,729	30,841
School carryover	-	1,057,168	966,251	90,917
Total operations and maintenance	11,566,372	12,872,502	11,653,064	1,219,438
Total operating costs	18,089,240	19,955,812	18,221,001	1,734,811
Total education	115,102,150	119,588,273	112,235,019	7,418,006
Debt Service				
Principal	-	302,088	175,167	126,921
Interest	-	-	19,093	(19,093)
Total debt service	-	302,088	194,260	107,828
Total expenditures	\$ 115,102,150	\$ 119,890,361	\$ 112,429,279	\$ 7,525,834

The York County School Division

Schedule of Funding Progress for Defined Pension Benefit Plans (Unaudited) Year Ended June 30, 2007

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) -Entry Age ⁽¹⁾ Projected Unit ⁽²⁾	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a % of Payroll
School Division Plan - Non-Professional ⁽¹⁾						
June 30, 2004	\$ 8,218,016	\$ 8,705,727	\$ 487,711	94.40%	\$ 6,124,050	7.96%
June 30, 2005	\$ 8,951,677	\$ 9,750,067	\$ 798,390	91.81%	\$ 5,771,901	13.83%
June 30, 2006	\$ 10,018,105	\$ 11,179,316	\$ 1,161,211	89.61%	\$ 6,071,837	19.12%
Optional Plan ⁽²⁾						
June 30, 2005	\$ 1,193,367	\$ 1,855,924	\$ 662,557	64.30%	\$ -	N/A
June 30, 2006	\$ 1,174,655	\$ 2,140,987	\$ 966,332	54.87%	\$ -	N/A
June 30, 2007	\$ 1,754,350	\$ 2,094,391	\$ 340,041	83.76%	\$ -	N/A

The York County School Division
Schedule of Employer Contributions for Single-Employer
Defined Benefit Pension Plan (Unaudited)
Year Ended June 30, 2007

School Board - Optional Plan

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 96,878	100%
2006	\$ 124,695	100%
2007	\$ 69,186	100%

THE YORK COUNTY SCHOOL DIVISION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

1. BUDGETARY DATA

The School Division follows these procedures in establishing the budgetary data reflected in the combined financial statements:

As required under Section 22.1-92 of the *Code of Virginia*, the Division Superintendent prepares an estimate of the amount of money deemed to be needed in the General Fund, Special Revenue Fund and Capital Projects Fund during the next fiscal year for the support of the public schools of the School Division. The estimate is required to be allocated for each major classification prescribed by the State Division of Education. Section 22.1-115 of the *Code of Virginia* states "the Division shall prescribe the following major classifications for expenditures of school funds: (i) instruction, (ii) administration, attendance and health (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other non-instructional operations, (vi) facilities, and (vii) debt and fund transfers."

The Superintendent's proposed budget is based on budget requests prepared by administrative and supervisory staff. The Superintendent also receives input from the School Division, employee associations, Parent Teacher Associations, County Administrator, etc., in formulating the budget proposal. Citizen input is provided via a public forum early in the budget process. After the Superintendent's budget is made public, the School Division conducts a public hearing on the proposed budget.

The School Division is required by state law (Section 22.1-92 of the *Code of Virginia*) to conduct a public hearing on the proposed budget to receive the views of citizens. The School Division also holds several work sessions on the proposed budget and modifies the proposed budget if necessary. The School Division must approve the budget by April 1 and submit it to the Division of Supervisors for the County of York for its approval.

The Board of Supervisors is required by state law to approve a School Division budget by May 1. If the Board of Supervisors approves a local appropriation that is less than the amount the School Division requested, the School Division must reduce the proposed budget accordingly.

The School Division appropriates funds on a major classification level and may make supplemental appropriations based on the availability of financial resources. The Division Superintendent may only authorize the transfer of funds within the major classification, the legal level of budgetary control.

1. BUDGETARY DATA *(Continued)*

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Funding for projects such as the capital improvement program is reappropriated annually until the project has been accomplished or abandoned.

The budgets are prepared on a basis consistent with the modified accrual basis of accounting. Budgeted amounts reflected in the required supplementary information are as originally adopted or as amended by the School Division. The General Fund's budget is adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

2. LEGALLY ADOPTED BUDGETS

The general, capital projects, and special revenue funds have legally adopted annual budgets.

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OTHER SUPPLEMENTARY INFORMATION

The York County School Division

Schedule of Revenues and Expenditures Budget and Actual Capital Projects Fund Year Ended June 30, 2007

	Capital Projects Fund		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues			
Intergovernmental:			
From the County of York	\$ 12,825,234	\$ 12,829,685	\$ 4,451
From the Commonwealth of Virginia	1,210,188	1,208,972	(1,216)
Revenue from the use of money	25,000	493,426	468,426
Miscellaneous	-	83,317	83,317
Total revenues	<u>\$ 14,060,422</u>	<u>\$ 14,615,400</u>	<u>\$ 554,978</u>
Expenditures			
Capital outlay	\$ 20,809,862	\$ 11,896,449	\$ 8,913,413
Total expenditures	<u>\$ 20,809,862</u>	<u>\$ 11,896,449</u>	<u>\$ 8,913,413</u>

The York County School Division

Schedule of Revenues and Expenditures Budget and Actual Non-major Special Revenue Fund Year Ended June 30, 2007

	School Food Service Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
From the Commonwealth of Virginia	\$ 55,000	\$ 73,644	64,283	\$ (9,361)
From the Federal government	880,000	987,000	1,124,241	137,241
Revenue from the use of money	20,000	10,000	28,501	18,501
Charges for services	3,042,473	3,377,468	2,770,129	(607,339)
Miscellaneous	-	-	74,094	74,094
Total revenues	<u>\$ 3,997,473</u>	<u>\$ 4,448,112</u>	<u>\$ 4,061,248</u>	<u>\$ (386,864)</u>
Expenditures				
Food Services:				
Contractual services and purchases for resale	\$ 1,800,000	\$ 2,797,719	\$ 2,683,420	\$ 114,299
Donated commodities	200,000	200,000	240,087	(40,087)
Salaries and wages	1,222,678	988,840	748,433	240,407
Fringe benefits	429,375	394,733	346,026	48,707
Repairs and maintenance	30,420	46,820	5,110	41,710
Materials and supplies	150,000	-	-	-
Equipment replacement	155,000	10,000	758	9,242
Employee development	5,000	5,000	418	4,582
Travel	5,000	5,000	131	4,869
Total expenditures	<u>\$ 3,997,473</u>	<u>\$ 4,448,112</u>	<u>\$ 4,024,382</u>	<u>\$ 423,730</u>

The York County School Division
Schedule of Changes in Assets and Liabilities
Agency Fund - School Activity Funds
Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and temporary investments	\$ 1,493,649	\$ 5,791,175	\$ 5,686,045	\$ 1,598,779
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Amounts held for others	\$ 1,493,649	\$ 5,791,175	\$ 5,686,045	\$ 1,598,779
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

STATISTICAL SECTION
(Unaudited)

Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Contents:

Financial Trends (pages 82 - 86)

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

Revenue Capacity (pages 87 - 91)

These schedules contain information to help the reader assess the School's most significant local revenue source, Food Services charges for services. They also include the County's most significant local revenue source, property taxes, as the County provides significant revenues to the School.

Debt Capacity (pages 92 - 93)

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and ability to issue additional debt in the future. These schedules are shown because the County incurs significant debt for the School's use.

Demographic and Economic Information (pages 94 - 95)

These schedules offer demographic and economic indicators to help the reader understand how the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (pages 96 - 100)

These schedules contain service and infrastructure data to help the reader understand how the information in the School's financial report relates to the services the School provides and the activities it performs.

The York County School Division
Net Assets by Component - Accrual Basis of Accounting
Last Five Fiscal Years (1)
(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 126,097,687	\$ 118,521,776	\$ 107,919,412	\$ 108,311,650	\$ 105,811,183
Restricted	8,470,345	5,331,245	-	796,427	1,019,930
Unrestricted	3,262,537	3,326,399	3,592,674	3,761,644	4,654,077
Total primary government net assets	<u>\$ 137,830,569</u>	<u>\$ 127,179,420</u>	<u>\$ 111,512,086</u>	<u>\$ 112,869,721</u>	<u>\$ 111,485,190</u>

(1) Reflects retroactive reporting to the year of GASB34 implementation, June 30, 2003.

The York County School Division
Changes in Net Assets - Accrual Basis of Accounting
Last Five Fiscal Years (1)
(unaudited)

	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
Instruction	\$ 90,085,862	\$ 81,915,003	\$ 76,669,205	\$ 69,082,634	\$ 63,465,754
Administrative, attendance and health services	8,554,642	7,517,621	6,412,274	5,837,793	5,564,214
Transportation	6,028,267	6,716,845	5,242,264	4,968,615	4,534,200
Operations maintenance	12,101,456	11,140,232	10,918,247	10,145,537	9,129,334
Food services	4,063,833	4,016,427	3,852,601	3,455,830	2,620,622
Interest on capital leases	19,093	7,126	8,189	18,933	23,975
Total primary government expenses	<u>120,853,153</u>	<u>111,313,254</u>	<u>103,102,780</u>	<u>93,509,342</u>	<u>85,338,099</u>
Program revenues					
Governmental activities:					
Charges for services:					
Instruction	391,741	376,286	538,102	511,710	484,708
Food services	2,770,129	2,804,096	2,646,324	2,268,203	1,943,016
Operating grants and contributions	61,453,196	56,670,894	51,993,529	46,002,007	45,670,293
Capital grants and contributions	1,208,972	1,272,416	1,660,145	1,623,841	1,188,266
Total primary government program revenues	<u>65,824,038</u>	<u>61,123,692</u>	<u>56,838,100</u>	<u>50,405,761</u>	<u>49,286,283</u>
Net (expense)/revenue					
Total primary government net expense	<u>(55,029,115)</u>	<u>(50,189,562)</u>	<u>(46,264,680)</u>	<u>(43,103,581)</u>	<u>(36,051,816)</u>
General revenues and other changes in net assets					
Governmental activities:					
Payments from York County	52,815,163	54,314,617	34,637,955	35,808,975	37,698,293
Shared intergovernmental revenues	11,266,703	10,333,640	9,306,537	7,940,139	7,291,952
Revenues from the use of money and property	1,195,331	886,946	536,367	512,158	580,480
Miscellaneous	403,067	321,693	426,186	226,840	124,877
Total primary government	<u>65,680,264</u>	<u>65,856,896</u>	<u>44,907,045</u>	<u>44,488,112</u>	<u>45,695,602</u>
Changes in net assets					
Total primary government	<u>\$ 10,651,149</u>	<u>\$ 15,667,334</u>	<u>\$ (1,357,635)</u>	<u>\$ 1,384,531</u>	<u>\$ 9,643,786</u>

(1) Reflects retroactive reporting to the year of GASB34 implementation, June 30, 2003.

The York County School Division
Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting
Last Ten Fiscal Years
(unaudited)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 4,282,348	\$ 4,338,943	\$ 3,943,555	\$ 3,751,632	\$ 4,813,836	\$ 4,001,899	\$ 2,358,472	\$ 2,311,659	\$ 2,619,906	\$ 1,745,697
Unreserved	2,209,444	1,754,474	2,131,098	1,699,006	1,586,692	1,517,263	1,180,451	803,586	532,439	266,775
Total general fund	<u>\$ 6,491,792</u>	<u>\$ 6,093,417</u>	<u>\$ 6,074,653</u>	<u>\$ 5,450,638</u>	<u>\$ 6,400,528</u>	<u>\$ 5,519,162</u>	<u>\$ 3,538,923</u>	<u>\$ 3,115,245</u>	<u>\$ 3,152,345</u>	<u>\$ 2,012,472</u>
All Other Governmental Funds										
Reserved	\$ 7,220,504	\$ 5,442,581	\$ 960,971	\$ 1,208,122	\$ 1,855,968	\$ 3,670,236	\$ 1,620,305	\$ 2,256,413	\$ 1,237,649	\$ 1,085,358
Unreserved, reported in:										
Special revenue fund	507,873	471,007	97,247	737,954	630,976	592,109	683,538	677,620	583,077	407,327
Capital project fund	1,411,492	470,464	407,951	410,562	1,534,822	2,941,033	2,178,524	2,982,649	3,744,546	4,661,287
Total all other governmental funds	<u>\$ 9,139,869</u>	<u>\$ 6,384,052</u>	<u>\$ 1,466,169</u>	<u>\$ 2,356,638</u>	<u>\$ 4,021,766</u>	<u>\$ 7,203,378</u>	<u>\$ 4,482,367</u>	<u>\$ 5,916,682</u>	<u>\$ 5,565,272</u>	<u>\$ 6,153,972</u>

The York County School Division
Changes in Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting
Last Ten Fiscal Years
(unaudited)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues:										
Federal sources:										
Federal grants	\$12,797,495	\$13,264,274	\$11,781,101	\$11,112,236	\$10,369,003	\$10,356,463	\$ 8,838,647	\$ 8,835,044	\$ 8,215,508	\$ 7,583,831
Food services	1,124,241	1,078,654	942,366	859,717	782,113	814,525	734,918	691,770	733,472	679,455
Total federal sources	13,921,736	14,342,928	12,723,467	11,971,953	11,151,116	11,170,988	9,573,565	9,526,814	8,948,980	8,263,286
State sources:										
State education basic aid	35,239,777	31,852,161	31,003,195	26,214,429	25,239,532	23,259,516	22,260,380	20,709,264	19,709,536	19,195,272
State sales tax	11,266,703	10,333,640	9,306,537	7,940,139	7,291,953	7,254,188	7,228,441	6,915,810	6,420,337	5,971,937
Food services	64,283	61,065	54,920	51,053	48,969	49,350	49,559	47,584	47,758	47,198
State grants and other	13,435,872	11,683,201	9,872,092	9,386,313	10,395,441	9,616,908	9,523,443	9,109,311	8,227,067	5,701,576
Total state sources	60,006,635	53,930,067	50,236,744	43,591,934	42,975,895	40,179,962	39,061,823	36,781,969	34,404,698	30,915,983
Local sources:		(1)			(1)					(1)
Payments from York County	52,815,163	54,314,617	34,637,955	35,808,975	37,698,293	30,450,732	27,725,788	28,049,407	25,337,527	36,998,922
Food service sales	2,770,129	2,804,096	2,646,324	2,268,203	1,943,016	1,835,792	1,694,299	1,633,450	1,486,265	1,327,920
Interest and other income	1,195,331	886,946	536,367	512,158	580,480	605,155	891,193	756,771	627,875	1,087,715
Other revenues	795,308	701,934	964,288	740,650	585,599	727,654	681,870	760,996	772,742	568,139
Total local resources	57,575,931	58,707,593	38,784,934	39,329,986	40,807,388	33,619,333	30,993,150	31,200,624	28,224,409	39,982,696
Total revenues	131,504,302	126,980,588	101,745,145	94,893,873	94,934,399	84,970,283	79,628,538	77,509,407	71,578,087	79,161,965
Expenditures:										
Instruction	85,684,494	79,042,519	72,199,940	64,156,077	60,385,900	56,268,252	55,176,078	53,324,635	47,244,857	41,189,687
Administration, attendance, and health services	8,329,524	7,420,691	6,404,403	5,907,512	5,429,175	4,705,618	4,250,250	3,763,534	3,271,627	2,637,881
Pupil Transportation	6,567,937	6,069,668	5,618,939	5,101,840	4,858,132	3,961,244	4,672,831	3,583,816	3,140,159	3,245,285
Operations and maintenance	11,653,064	11,080,684	11,023,760	10,111,467	8,950,532	8,022,027	7,673,108	6,958,758	6,953,359	7,712,139
Food services	4,024,382	3,977,129	3,823,924	3,416,064	2,745,592	2,798,917	2,513,444	2,311,130	2,174,669	1,990,881
Capital outlay	11,896,449	14,684,782	3,116,248	8,419,194	14,791,825	4,386,992	6,222,336	8,148,945	4,126,206	11,244,772
Debt service:										
Principal retirement	175,167	257,000	97,000	97,000	97,000	97,000	97,000	97,000	4,018,311	619,621
Interest and fiscal charges	19,093	7,126	8,189	18,933	23,975	28,983	34,128	38,967	97,726	392,738
Total expenditures	128,350,110	122,539,599	102,292,403	97,228,087	97,282,131	80,269,033	80,639,175	78,226,785	71,026,914	69,033,004
Excess of revenues over expenditures	3,154,192	4,440,989	(547,258)	(2,334,214)	(2,347,732)	4,701,250	(1,010,637)	(717,378)	551,173	10,128,961

(1) - Significant increases in payments from York County are due to years in which long-term debt was issued by the County on behalf of the School Division. Capital Outlay expenditures are also notably increased in these years.

The York County School Division
Changes in Fund Balances of Governmental Funds - Modified Accrual Basis of Accounting
Last Ten Fiscal Years
(unaudited)

(continued)										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Excess of revenues over expenditures	3,154,192	4,440,989	(547,258)	(2,334,214)	(2,347,732)	4,701,250	(1,010,637)	(717,378)	551,173	10,128,961
Other financing sources (uses)										
Capital lease	-	495,658	-	-	-	-	-	-	-	970,000
Transfers in	-	500,000	-	-	-	-	-	-	-	-
Transfers out	-	(500,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	495,658	-	-	-	-	-	-	-	970,000
Net change in fund balances	<u>\$ 3,154,192</u>	<u>\$ 4,936,647</u>	<u>\$ (547,258)</u>	<u>\$ (2,334,214)</u>	<u>\$ (2,347,732)</u>	<u>\$ 4,701,250</u>	<u>\$ (1,010,637)</u>	<u>\$ (717,378)</u>	<u>\$ 551,173</u>	<u>\$11,098,961</u>
Debt service as a percentage of noncapital expenditures	0.17%	0.25%	0.11%	0.13%	0.15%	0.17%	0.18%	0.19%	(2) 6.56%	1.81%

(2) - Increase is a result of the York County School Division paying off their \$3.2 million VRS Early Retirement Liability.

The York County School Division
Food Services - Breakfast and Lunch Program Rates and Participation
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Breakfast Program Meal Prices				Lunch Program Rates Meal Prices				Average Percentage of Students Participating in the School Lunch Program	Percentage of Students Receiving Free or Reduced Meals
	Elementary	Middle/High	Adult	Reduced	Elementary	Middle/High	Adult	Reduced		
2007	\$ 0.95	\$ 1.05	\$ 1.30	\$ 0.30	\$ 1.85	\$ 1.95	\$ 2.50	\$ 0.40	43.75%	14.18%
2006	\$ 0.85	\$ 1.05	\$ 1.30	\$ 0.30	\$ 1.75	\$ 1.85	\$ 2.50	\$ 0.40	46.42%	13.92%
2005	\$ 0.75	\$ 0.95	\$ 1.20	\$ 0.30	\$ 1.65	\$ 1.75	\$ 2.25	\$ 0.40	48.18%	14.15%
2004	\$ 0.75	\$ 0.95	\$ 1.05	\$ 0.30	\$ 1.65	\$ 1.75	\$ 2.25	\$ 0.40	45.88%	13.49%
2003	\$ 0.75	\$ 0.95	\$ 1.05	\$ 0.30	\$ 1.65	\$ 1.65	\$ 2.25	\$ 0.40	42.51%	13.26%
2002	\$ 0.75	\$ 0.95	\$ 1.05	\$ 0.30	\$ 1.55	\$ 1.65	\$ 2.15	\$ 0.40	52.99%	14.25%
2001	\$ 0.95	\$ 0.95	\$ 1.05	\$ 0.30	\$ 1.45	\$ 1.45	\$ 2.05	\$ 0.40	53.37%	14.35%
2000	\$ 0.95	\$ 0.95	\$ 1.05	\$ 0.30	\$ 1.45	\$ 1.45	\$ 2.05	\$ 0.40	54.70%	16.25%
1999	\$ 0.75	\$ 0.75	\$ 1.05	\$ 0.30	\$ 1.45	\$ 1.55	\$ 2.05	\$ 0.40	51.85%	17.23%
1998	\$ 0.75	\$ 0.95	\$ 1.05	\$ 0.30	\$ 1.30	\$ 1.40	\$ 1.90	\$ 0.40	49.82%	16.43%

The York County School Division
Assessed Value and Estimated Actual Value of Taxable Property of the County of York, Virginia
Last Ten Calendar Years
(unaudited)

Year	Real Estate	Personal Property	Mobile Home	Public Utility			Total Taxable Assessed Value	Total Direct Tax Rate
				Real Estate	Personal Property	CPC Equipment		
2007	\$7,645,795,200	\$ 487,921,335	\$ 4,224,900	\$ 326,639,988	\$ 174,188	\$ 75,653,448	\$8,540,409,059	\$ 0.9136
2006	7,454,449,300	476,044,805	4,234,365	281,865,579	147,630	56,217,994	8,272,959,673	0.8866
2005	5,342,391,200	438,975,665	4,533,300	308,441,261	195,614	108,900,347	6,203,437,387	1.0399
2004	5,177,858,100	389,936,240	4,048,700	311,750,291	103,116	83,427,310	5,967,123,757	1.0628
2003	4,332,695,900	372,586,710	4,483,220	383,517,402	81,725	47,572,000	5,140,936,957	1.0860
2002	4,164,948,589	357,154,465	4,710,800	373,094,854	67,399	45,232,394	4,945,208,501	1.0852
2001	3,731,519,800	341,671,410	5,499,500	396,014,109	75,058	48,741,804	4,523,521,681	1.0954
2000	3,593,618,963	343,064,595	4,977,800	384,314,309	76,790	45,963,521	4,372,015,978	1.1053
1999	3,290,329,596	283,997,377	4,308,423	405,887,634	72,600	47,599,984	4,032,195,614	1.0793
1998	3,145,948,869	265,019,266	3,660,950	396,069,366	90,318	45,779,343	3,856,568,112	1.0740
1997	2,971,921,465	208,420,993	3,269,862	398,953,489	105,708	47,014,196	3,629,685,713	0.6074

Note: Values are net of tax exempt property. Property in the County is reassessed every two years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2007

The York County School Division
Property Tax Rates for the County of York, Virginia
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Estate (1) (2) (3)	Personal Property (1)	Mobile Home (1) (3)	CPC Equipment (1) (3)
2007	\$ 0.6975	\$ 4.00	\$ 0.6975	\$ 0.558
2006	0.8175/0.6975	4.00	0.8175/0.6975	0.654/0.558
2005	0.8175	4.00	0.8175	0.654
2004	0.86/0.8175	4.00	0.86/0.8175	0.688/0.654
2003	0.86	4.00	0.86	0.688
2002	0.86	4.00	0.86	0.688
2001	0.86	4.00	0.86	0.688
2000	0.86	4.00	0.86	0.688
1999	0.86	4.00	0.86	0.688
1998	0.86	4.00	0.86	0.688
1997	0.86	4.00	0.86	0.688

(1) Tax rate per \$100 of assessed valuation.

(2) The amount designated for school operating is \$0.567/0.548 for fiscal year 2007.

(3) The tax rate, 1st half/2nd half.

Note: The County has no overlapping taxes with other governments.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2007

The York County School Division
Principal Property Taxpayers of the County of York, Virginia - Calendar Year
Current Year and Nine Years Ago
(unaudited)

Taxpayer	Description	2006 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	1997 Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Virginia Power Company	Generating plant	\$ 283,926,006	1	3.38%	\$ 348,490,681	1	6.24%
Lawyers Title Insurance Co./ Fairfield Communities	Fairfield timeshare condominiums	161,377,170	2	1.92%	62,705,000	4	1.12%
Giant Industries/Amoco Oil	Refinery	83,621,055	3	0.99%	99,948,260	2	1.79%
City of Newport News	Water system	80,970,587	4	0.96%	63,896,900	3	1.14%
Anheuser Busch Companies	Retail and water park	65,188,275	5	0.78%	21,873,373	6	0.39%
Great Wolf Lodge of Williamsburg, LLC	Hotel and water park	50,182,145	6	0.60%	-		
Kings Creek Plantation	Timeshare condominiums	46,899,465	7	0.56%	-		
Wal-Mart	Retail sales	33,853,680	8	0.40%	-		
Verizon Virginia Inc.	Telephone company	22,194,438	9	0.26%	24,772,406	5	0.44%
Virginia Natural Gas	Natural gas company	21,411,374	10	0.25%	-		
Kiln Creek Shopping Center	Retail sales				16,435,000	7	0.29%
1991 Ashe Property	Apartments				15,333,300	8	0.27%
Colonial Properties	Retail sales				9,671,000	9	0.17%
Four Seasons & Woodmere Co.	Condominiums				6,081,000	10	0.11%
Total		<u>\$ 849,624,195</u>		<u>10.10%</u>	<u>\$ 669,206,920</u>		<u>11.96%</u>

Source: Commissioner of the Revenue of the County of York, Virginia.

The York County School Division
Property Tax Levies and Collections of the County of York, Virginia
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Total Tax Levy (1) (2) (3)	Current Tax Collections (1)	Percent of Levy Collected	Collections in Subsequent Year	Total Collections to Date	
					Amount	Percentage of Levy
2007	\$ 69,290,160	\$ 67,367,845	97.23%	\$ -	\$ 67,367,845	97.23%
2006	67,054,087	64,874,238	96.75%	1,507,636	66,381,874	99.00%
2005	65,863,726	63,315,662	96.13%	1,777,052	65,092,714	98.83%
2004	60,823,449	58,099,636	95.52%	2,169,009	60,268,645	99.09%
2003	57,471,361	55,137,811	95.94%	1,854,811	56,992,622	99.17%
2002	53,335,585	51,353,839	96.28%	1,649,252	53,003,091	99.38%
2001	50,512,862	48,624,757	96.26%	1,565,289	50,190,046	99.36%
2000	47,039,600	44,889,391	95.43%	1,526,478	46,415,869	98.67%
1999	44,071,970	42,685,249	96.85%	1,291,289	43,976,538	99.78%
1998	46,709,768	45,569,100	97.56%	898,395	46,467,495	99.48%
1997	38,497,420	37,878,936	98.39%	618,484	38,497,420	100.00%

(1) Effective for 2006, the Commonwealth of Virginia passed legislation changing the nature of the Personal Property Tax Relief Act "PPTRA" (Virginia State Code, Title 58.1, Chapter 35) from a reimbursement based entitlement program to a block grant. Consequently, the levy and collections for the first half of calendar year 2006 (second half of fiscal year 2006), excludes the Commonwealth's noncategorical aid for PPTRA. Figures for the second half of calendar year 2005 (first half of fiscal year 2006) and for applicable prior years include the Commonwealth's reimbursement for PPTRA.

(2) The total tax levy was restated from previous years reported assessments for fiscal years 1999 and 2000.

(3) In 1998, the County implemented twice a year personal property tax collections. Total tax levy through June 30, 1998 was \$5,835,850.

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2007

The York County School Division
Ratio of Outstanding Debt By Type of the County of York, Virginia
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Governmental Activities						Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Literary Loans	Capital Leases	Certificates of Participation	Lease Revenue Bonds	Note Payable	General Obligation Bonds	Revenue Bonds	Capital Leases			
2007	\$60,925,000	\$ 550,000	\$ 986,448	\$ -	\$16,680,000	\$ 2,120,925	\$ -	\$ 8,595,105	\$ 895,000	\$90,752,478	2.91%	\$1,422
2006	53,455,000	710,000	860,883	-	17,740,000	2,345,211	-	8,824,218	1,055,000	84,990,312	2.85%	1,347
2005	41,655,000	870,000	69,189	-	18,780,000	2,553,797	-	9,062,852	1,205,000	74,195,838	2.66%	1,191
2004	44,785,000	1,030,000	175,471	-	19,795,000	2,747,783	-	9,310,721	1,350,000	79,193,975	3.04%	1,288
2003	43,740,000	1,190,000	276,247	-	3,070,000	2,928,191	-	9,484,287	1,490,000	62,178,725	2.54%	1,031
2002	38,645,400	1,350,000	372,288	-	3,385,000	3,095,971	69,600	9,652,440	1,559,167	58,129,866	2.51%	980
2001	41,122,900	1,535,700	459,780	3,470,000	-	3,252,007	142,100	9,810,200	1,680,000	61,472,687	2.83%	1,049
2000	43,702,500	1,725,600	493,296	3,695,000	-	3,397,121	217,500	9,962,586	1,791,667	64,985,270	3.21%	1,154
1999	46,704,200	1,982,450	613,058	3,905,000	-	3,532,077	295,800	569,616	1,897,501	59,499,702	3.18%	1,070
1998	49,550,400	2,276,800	213,773	4,105,000	-	-	359,600	576,307	1,998,334	59,080,214	3.34%	1,086
1997	36,693,700	2,621,800	166,351	4,290,000	-	-	426,300	992,676	2,094,167	47,284,994	2.83%	887

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2007

The York County School Division
Ratio of General Bonded Debt Outstanding for the County of York, Virginia
Last Ten Fiscal Years
(unaudited)

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2007	\$ 60,925,000	\$ -	\$ 60,925,000	0.71%	\$ 955
2006	53,455,000	-	53,455,000	0.65%	847
2005	41,655,000	-	41,655,000	0.67%	669
2004	44,785,000	-	44,785,000	0.75%	728
2003	43,740,000	-	43,740,000	0.85%	725
2002	38,715,000	-	38,715,000	0.78%	653
2001	44,735,000	-	44,735,000	0.99%	763
2000	47,615,000	-	47,615,000	1.09%	846
1999	50,905,000	-	50,905,000	1.26%	916
1998	54,015,000	-	54,015,000	1.40%	993
1997	41,410,000	-	41,410,000	1.14%	777

Source: County of York, Virginia
Comprehensive Annual Financial Report Fiscal Year 2007

The York County School Division
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Population (2)	Personal Income (1) (Thousands)	Per Capita Income (1)	Median Age (2)	Education Level In Years of Formal Schooling	Student Average Daily Membership	Unemployment Rate (3)
2007	63,800	\$ 3,115,020	\$ 40,385	39.70	12.80	12,649	2.6%
2006	63,100	2,983,100	39,200	39.30	12.80	12,797	2.8%
2005	62,300	2,791,500	37,170	38.90	12.80	12,442	2.9%
2004	61,500	2,603,144	35,917	38.50	12.80	12,363	2.9%
2003	60,300	2,443,756	34,029	38.00	12.80	12,184	3.1%
2002	59,300	2,316,285	32,685	37.60	12.80	12,010	3.0%
2001	58,600	2,174,435	31,355	37.20	12.80	11,750	2.5%
2000	56,297	2,025,203	29,709	36.50	12.80	11,667	1.9%
1999	55,600	1,870,073	27,863	36.30	12.40	11,434	2.0%
1998	54,400	1,767,157	26,602	35.90	12.40	11,159	1.9%
1997	53,300	1,670,019	25,374	35.50	12.40	10,884	2.5%

Source:

(1) County Planning Division 2006 - 2005 (estimated); U.S. Bureau of Economic Analysis (2004 - 1997).

(2) County Planning Division, except fiscal year 2000 - U.S. Bureau of the Census.

(3) Virginia Employment Commission.

**The York County School Division
Principal Employers
Current Year and Seven Years Ago (1)**
(unaudited)

Employer	2007			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Naval Weapons Station / Cheatham Annex	2,217	1	10.71%	2,800	1	19.14%
York County School Division	1,602	2	7.74%	1,622	2	11.09%
Wal-Mart	948	3	4.58%			
York County Government	920	4	4.44%	729	3	4.98%
U.S. Coast Guard Station	798	5	3.86%			
Sentara Williamsburg Regional Medical Center	792	6	3.83%			
Water Country	736	7	3.56%	603	4	4.12%
Great Wolf Lodge	500	8	2.42%			
Fairfield Resorts	465	9	2.25%			
Kings Creek Plantation	281	10	1.36%			
K-Mart				423	5	2.89%
BP Amoco				219	6	1.50%
Food Lion				213	7	1.46%
Cybernetics				150	8	1.03%
Virginia Power				108	9	0.74%
C.A. Barrs				90	10	0.62%
Total	9,259		44.73%	6,957		47.57%

(1) Data not available prior to 2000.

Source: County Office of Economic Development.

The York County School Division
Full-time Equivalent Division Employees by Type
Last Ten Fiscal Years
(unaudited)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Athletic Directors	4.00	4.00	4.00	-	-	-	-	-	-	-
Board Members	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Bus Drivers	136.00	136.00	130.00	128.00	129.00	126.00	124.00	120.00	125.00	119.00
Bus Driver Assistants	25.00	25.00	21.00	21.00	21.00	21.00	21.00	20.00	0.00	0.00
Cafeteria Monitors	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Chief Financial Officer	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-	-
Clerical	75.25	73.25	65.25	66.25	71.75	70.50	72.50	73.50	70.00	68.50
Clerk of the Board	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clinic Aides	-	1.00	2.00	2.00	2.00	3.00	3.00	3.00	6.00	7.00
Crossing Guards	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	-
Custodians	100.50	100.50	85.75	85.75	85.75	85.75	85.75	85.75	85.75	80.75
Directors	11.25	9.25	9.25	8.75	9.25	8.25	10.25	9.25	7.00	7.00
Division Chiefs	3.00	-	-	-	-	-	-	-	-	-
Food Service Personnel	53.32	63.75	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Guidance Counselors	34.00	34.00	33.50	33.00	33.00	33.00	33.00	32.00	33.00	33.00
Instructors	10.00	11.00	10.00	10.00	10.00	10.00	8.00	7.00	7.00	7.00
Librarians	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Mechanics	8.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Nurses	17.00	17.00	16.00	16.00	16.00	15.00	15.00	15.00	12.00	11.00
Occupational Therapists	4.00	4.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Para-Educators	268.50	263.00	259.00	245.00	218.00	213.00	196.00	190.25	169.00	151.00
Physical Therapists	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Principals	19.00	19.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	19.00
Principals (Assistants)	25.00	23.00	23.00	22.00	20.00	20.00	20.00	19.50	20.50	18.50
Psychologists	10.00	10.00	10.00	10.00	10.00	9.00	7.00	7.00	6.00	6.00
Superintendent	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Superintendent (Assistant)	-	2.00	1.00	2.00	1.00	1.00	1.00	1.00	2.00	2.00
Teachers	845.72	839.50	818.25	800.00	773.00	769.00	746.00	742.50	706.75	686.00
Technical	114.54	112.50	99.25	94.50	84.50	69.25	59.25	54.75	43.75	41.25
Trades	24.00	24.00	23.00	23.00	25.00	25.00	24.00	24.00	24.00	21.00
Total Full Time Equivalents	<u>1,822.58</u>	<u>1,813.25</u>	<u>1,768.75</u>	<u>1,725.75</u>	<u>1,666.75</u>	<u>1,636.25</u>	<u>1,582.25</u>	<u>1,561.00</u>	<u>1,473.25</u>	<u>1,411.00</u>

Source: York County School Division

**The York County School Division
Operating Statistics
Last Ten Fiscal Years
(unaudited)**

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio	Percentage Change
2007	12,649	\$112,429,279	\$ 8,888	9.5%	897.72	14.1	-1.8%
2006	12,797	103,877,688	8,117	5.9%	891.58	14.4	0.3%
2005	12,442	95,355,488	7,664	10.6%	869.82	14.3	-1.5%
2004	12,363	85,675,590	6,930	5.9%	850.97	14.5	-1.8%
2003	12,184	79,744,280	6,545	4.4%	823.79	14.8	1.0%
2002	12,010	75,278,680	6,268	-0.4%	819.94	14.6	-0.6%
2001	11,750	73,954,500	6,294	5.7%	797.04	14.7	0.3%
2000	11,654	69,376,262	5,953	-0.1%	792.54	14.7	-2.6%
1999	11,434	68,123,772	5,958	7.9%	757.74	15.1	-0.3%
1998	11,159	61,608,839	5,521	7.7%	737.02	15.1	1.7%
1997	10,884	55,813,152	5,128	1.3%	730.75	14.9	-0.4%

Source: York County School Division

The York County School Division
School Building Information
Last Ten Years
(unaudited)

School	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Elementary										
Bethel Manor Elementary										
Square feet	79,800	79,800	79,800	79,800	79,800	79,800	53,800	53,800	53,800	53,800
Capacity	700	700	700	700	700	700	430	430	430	430
Enrollment	555	598	625	595	534	520	577	614	594	566
Coventry Elementary										
Square feet	74,800	74,800	74,800	74,800	74,800	74,800	74,800	74,800	74,800	74,800
Capacity	708	708	708	708	708	708	708	708	708	708
Enrollment	637	669	644	681	686	676	738	698	668	663
Dare Elementary										
Square feet	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100	52,100
Capacity	427	427	427	427	427	427	427	427	427	427
Enrollment	421	442	391	374	414	381	377	398	411	397
Grafton Bethel Elementary										
Square feet	57,800	57,800	57,800	57,800	57,800	57,800	57,800	57,800	57,800	57,800
Capacity	703	703	703	703	703	703	703	703	703	703
Enrollment	623	614	634	650	626	620	605	670	670	666
Magruder Elementary										
Square feet	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	62,400	62,400
Capacity	653	653	653	653	653	653	653	653	461	461
Enrollment	614	570	525	527	512	531	554	547	582	561
Mt. Vernon Elementary										
Square feet	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Capacity	542	542	542	542	542	542	542	542	542	542
Enrollment	535	537	496	495	581	589	521	544	553	519
Seaford Elementary										
Square feet	52,700	52,700	52,700	52,700	52,700	52,700	41,700	41,700	41,700	41,700
Capacity	506	506	506	506	506	506	506	506	506	506
Enrollment	508	517	496	492	489	472	495	457	455	438
Tabb Elementary										
Square feet	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000
Capacity	627	627	627	627	627	627	627	627	627	627
Enrollment	546	578	619	619	616	645	649	614	620	647

The York County School Division
School Building Information
Last Ten Years
(unaudited)

School	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Elementary (continued)										
Waller Mill Elementary										
Square feet	33,800	33,800	33,800	33,800	33,800	33,800	33,800	33,800	33,800	33,800
Capacity	297	297	297	297	297	297	297	297	297	297
Enrollment	301	307	288	289	287	257	199	211	213	220
Yorktown Elementary										
Square feet	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200	54,200
Capacity	494	494	494	494	494	494	494	494	494	494
Enrollment	464	497	507	493	431	396	387	383	410	402
Middle										
Grafton Middle										
Square feet	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000
Capacity	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Enrollment	934	945	981	966	947	915	985	1,000	1,003	998
Queens Lake Middle										
Square feet	57,100	57,100	57,100	57,100	48,100	48,100	48,100	48,100	48,100	48,100
Capacity	681	681	681	681	490	490	490	490	490	490
Enrollment	545	519	484	486	493	510	476	457	445	473
Tabb Middle										
Square feet	98,000	98,000	98,000	98,000	98,000	98,000	98,000	65,000	65,000	65,000
Capacity	1,080	1,080	1,080	1,080	1,080	1,080	1,080	650	650	650
Enrollment	967	1,014	936	994	987	964	847	822	773	797
Yorktown Middle										
Square feet	65,600	65,600	65,600	65,600	65,600	65,600	65,600	65,600	65,600	65,600
Capacity	629	629	629	629	629	629	629	629	629	629
Enrollment	666	699	667	666	630	607	576	593	582	557
High										
Bruton High										
Square feet	155,200	155,200	155,200	155,200	155,200	151,700	151,700	151,700	151,700	151,700
Capacity	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039	1,039
Enrollment	746	739	703	661	621	585	567	548	548	546
Grafton High										
Square feet	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000	143,000
Capacity	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Enrollment	1,299	1,280	1,264	1,253	1,208	1,241	1,214	1,218	1,191	1,125

The York County School Division
School Building Information
Last Ten Years
(unaudited)

School	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
High (continued)										
Tabb High										
Square feet	152,400	152,400	152,400	152,400	152,400	152,400	152,400	152,400	152,400	152,400
Capacity	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Enrollment	1,283	1,293	1,305	1,216	1,175	1,122	1,100	1,028	954	872
York High										
Square feet	191,720	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Capacity	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214
Enrollment	1,014	974	957	960	922	866	849	797	727	724
York River Acacemy										
Square feet	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Capacity	40	40	40	40	40	40	40	40	40	40
Enrollment	40	37	39	42	48	45	43	43	38	34

COMPLIANCE SECTION



**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered York County School Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of York County School Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of York County School Division's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects York County School Division's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of York County School Division's financial statements that is more than inconsequential will not be prevented or detected by York County School Division's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by York County School Division's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether York County School Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of York County School Division, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Richmond, Virginia
November 5, 2007



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,
CONTRACTS AND GRANTS**

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 5, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the York County School Division's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>		<u>State Agency Requirements</u>
Budget and Appropriation Laws	Retirement	Education
Cash and Investments	Procurement	
Conflicts of Interest	Unclaimed Property	

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of the York County School Division, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekart & Holland, L.L.P.

Richmond, Virginia
November 5, 2007